

# NOMINATION OF ROBERT M. GATES

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## HEARINGS

BEFORE THE

SELECT COMMITTEE ON INTELLIGENCE

OF THE

UNITED STATES SENATE

ONE HUNDRED SECOND CONGRESS

FIRST SESSION

ON

NOMINATION OF ROBERT M. GATES, TO BE DIRECTOR OF CENTRAL  
INTELLIGENCE

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SEPTEMBER 16, 17, 19, 20, 1991

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VOLUME I

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Printed for the use of the Select Committee on Intelligence







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## VOLUME I

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WASHINGTON : 1992

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# NOMINATION OF ROBERT M. GATES TO BE DIRECTOR OF CENTRAL INTELLIGENCE

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MONDAY, SEPTEMBER 16, 1991

U.S. SENATE,  
SELECT COMMITTEE ON INTELLIGENCE,  
Washington, DC.

The Select Committee met, pursuant to notice, at 9:30 a.m., in room SH-216, Hart Senate Office Building, the Honorable David L. Boren (Chairman of the Committee) presiding.

Present: Senators Boren, Nunn, Hollings, Bradley, Cranston, DeConcini, Metzenbaum, Glenn, Murkowski, Warner, D'Amato, Danforth, Rudman, Gorton, Chafee and Moynihan.

Also Present: George Tenet, Staff Director; John Moseman, Minority Staff Director; Britt Snider, Chief Counsel; and Kathleen McGhee, Chief Clerk.

Chairman BOREN. The hearing will come to order.

We open hearings this morning on the nomination of Robert M. Gates to be Director of Central Intelligence. Mr. Gates' nomination was sent to the Senate on June 24, 1991, and referred to this Committee the same day. We had planned, of course, to hold these hearings before the August recess, but unexpected developments made it impossible for us to obtain all of the information required to finish our work before the recess. With the concurrence of the Administration and the nominee, we decided to delay them until now.

If confirmed, Mr. Gates would be the 15th person to serve as Director of Central Intelligence, a position created by the National Security Act of 1947, to serve both as head of the Central Intelligence Agency and as coordinator of all U.S. intelligence activities.

In the early days, the position was filled by military officers, some of whom were on active duty and rotated back to the military to complete their careers. The Director in those days had to struggle against entrenched, recalcitrant bureaucracies in order to do what the President wanted, which was pull together all of the intelligence available to the government and provide an objective analysis, independent of particular political agendas.

That remains the basic task today, but the Director of Central Intelligence now commands vast capabilities to collect and analyze information that his predecessors could not have imagined. These capabilities give the Director a unique role to play in the business of government. On the basis of the information he provides, policy decisions are made, diplomatic initiatives are mounted, military operations are planned and carried out, and research and develop-

ment efforts are targeted. To some degree, the wisdom of government policy decisions rests upon the quality of the Director's efforts.

The Director's job is also unique in terms of the range of sensitive activities the CIA is asked to carry out, again, largely in secret. Covert actions, for example, are undertaken abroad in support of U.S. policy but without official acknowledgment by the United States Government. While the Oversight Committees attempt to do a thorough job of monitoring these activities, in the end, it is the Director's judgment that often determines whether they remain consistent with U.S. policy and values.

The Director must also understand, respect, and work cooperatively with the Intelligence Oversight Committees of the Congress. This Committee has worked hard to reform the oversight process over the past five years. We are proud of what has been accomplished. A new independent audit unit has been created in the Committee staff to provide us with the capability to examine even the most sensitive programs of the Agency. A statutory Inspector General has been established for the CIA. Regular and systematic quarterly reviews of all covert actions are undertaken by the Committee and its staff tracks these programs on a much more frequent basis. To ensure that the Committee meets its own responsibilities, it has also adopted strict rules and procedures for its Members and staff to prevent any leaks or compromise of sensitive classified information. It is important that the Director understand the oversight process as a fundamental protection for the American people who have a right to have their elected representatives pass upon even the most secret programs which they are financing as taxpayers.

At no time in our history has this appointment been more important. The next Director of Central Intelligence will perhaps have more to do with shaping the future of intelligence than any other Director who has come before him or will come after him. The new Director will face a challenge and opportunity of immense proportion.

Perhaps the greatest threat to our national security is the danger that we will not change our thinking to coincide with all the changes in the world around us. World leadership in the next century will depend upon a whole different set of assets than were required for leadership in the last half of this century during the era of the Cold War between the nuclear superpowers. Military strength, while still needed, will be relatively less important in determining leadership and influence in the world, and economic and social strength will become far more crucial for our country.

As our friends and allies become less fearful of the Soviet military threat, they will also become less willing to follow America's lead automatically. To be politically influential we must be economically strong and also build a society at home that will stand as a worthy model for others to follow.

All of this means that policymakers will need intelligence with a new focus.

Clearly, the Intelligence Community is likely to be more streamlined. Hopefully, it can be less expensive as well. With about half of our intelligence assets, especially those in the area of expensive

technologies, targeted in the past on the Soviet military threat, substantial budget savings should be achievable to more than meet new priorities and fund new missions.

These hearings give us the opportunity not only to examine the past actions of this nominee and probe his qualifications for the position, but also give us the opportunity to begin a valuable public debate about the future of American intelligence.

For well over a year, the Senate Select Committee on Intelligence has been conducting a study on the basic purposes and the future of the Intelligence Community through hearings and personal interviews with a wide cross section of present and former top government officials, intelligence experts, and historians. Our findings have led us already to push the community to make budgetary shifts to reflect major changes in the goals of intelligence collection and analysis.

I have no quarrel with those who want to overhaul our current intelligence system. An intelligence organization designed to meet the challenges of the Cold War era clearly can no longer do the job—and would not be worth what we've been paying for it in the past.

Some have focused on rearranging the bureaucratic structure of the Intelligence Community while others have gone so far as to urge the disbanding of the CIA. Our real task, however, is to redefine the very mission of intelligence in the new world which we face. Issues and challenges may change but policymakers will always need to make informed decisions based upon timely and accurate intelligence. That is why we will always need an institution devoted to the collection and analysis of intelligence.

While the military has a role in the Intelligence Community, it would be a mistake to place our entire Intelligence Community or operation in the Department of Defense at a time when competition for world leadership is being increasingly defined in economic and social terms. Nor can the State Department be expected to totally meet the intelligence needs of our government. It is not equipped to provide the kinds of intelligence needed by our military services. Furthermore, the collection of raw intelligence is not always consistent with the process of diplomacy. For intelligence to be as objective as possible, the producers of intelligence should not be subordinate to any consumer agency, whether the State or Defense Department.

With these considerations in mind, the broad outlines of the new Intelligence Community are already taking shape.

For one thing, it is clear that there must be more emphasis on human intelligence. With fewer forward positions around the world, we must have more and better information about the intentions of potential adversaries and earlier warnings of hostile acts.

The greatest intelligence failure of the recent Persian Gulf crisis was our inability to more quickly detect the threat that Saddam Hussein posed to his neighbors. With better human intelligence about Saddam's intentions—even six months before the invasion—the President could have considered pursuing various options like joint exercises with Saudi Arabia or a beefed-up air presence in the region. These actions might have deterred Iraq's aggression and enabled us to avoid a war altogether.

Not only must we have better human intelligence, it must be focused differently. Too much of our intelligence gathering and analysis is still targeted on the Soviet Union. The failed coup attempt confirms—even to the most skeptical—that the Cold War is over. And while we should not ignore Eastern Europe and the U.S.S.R., we clearly must improve our capabilities in the Third World and in regions like the Middle East where our coverage is thin. Terrorism and international narcotics trafficking also merit more attention.

Economic intelligence is another area that demands both more resources and clearer policy guidance. The aggressive acts of espionage pursued by foreign governments—at times in collaboration with their intelligence services—to steal private American commercial secrets to serve their own national economic interests are a clear indication of this threat. How to deter these activities and to set appropriate limits of American countermeasures remains to be defined.

The line between civilian and military threats to our national security becomes blurred. This is a matter that we have been discussing jointly between our Committee and the Armed Services Committee, chaired by my colleague to my right, Senator Nunn. We can no longer afford to support two separate empires that do not talk to each other. Last year in the Intelligence Authorization Bill, the Senate Intelligence Committee warned that, I quote, "Tactical and national intelligence communities appear to be excessively isolated from one another. Military commanders seek self-sufficiency, while the civilian community pays scant attention to the commander's needs."

Simply reforming human intelligence priorities is not enough. If we are to really improve human intelligence, we must invest more in education, especially in the areas of international, cultural, and foreign language studies. Just as we did after SPUTNIK with the passage of the National Defense Education Act, it's time we invest some of our military and intelligence budget dollars in grants to students and colleges in key areas of study vital to our national security as it is being redefined in the new world environment. Our Committee has proposed a National Security Education Act which will be considered on the Floor of the Senate to allow more college undergraduates to study in foreign countries, to give grants to colleges and universities to improve their courses of study in foreign languages, international studies and area studies like Middle Eastern or Latin American studies, and to provide more graduate fellowships in these fields.

Finally, we must examine the process by which intelligence analysis is developed for policymakers from the President on down. Current analysis is often too bureaucratic and cautious. General Schwarzkopf rightly said that intelligence is often, and I quote him, "caveated, footnoted, and watered down to the point of being irrelevant." Less value should be placed on bureaucratic consensus and more value on crisp clear predictions with room for forceful expression of dissenting views and the reasoning behind competing viewpoints.

The next Director of Central Intelligence will preside over the first sweeping redesign of American intelligence since the National Security Act was passed forty-four years ago. As Abraham Lincoln



once said, "We must think anew and act anew." And it is critical that our top intelligence officials have the vision and the determination to do exactly that.

To meet these challenges, the President has nominated Robert M. Gates to be the next Director of Central Intelligence. Mr. Gates is well-known to the Members of this Committee. He is a professional in the intelligence field with almost 25 years in government service, much of it in senior positions at the CIA and at the White House. A native of Kansas, and an honors graduate of William and Mary University, with a master's degree from Indiana University and a Ph.D. from Georgetown, Mr. Gates began his career as a junior analyst at the CIA. A Soviet analyst by profession, he served as a CIA representative to the SALT II Talks from 1971 to 1973, and later served on the National Security Council staff in the late 1970's under Dr. Brzezinski in the Administration of President Carter. In 1980, he returned to CIA and in 1982 was designated Director of Intelligence, responsible for all CIA analysis and production. In April of 1986, he was nominated to be the Deputy Director of the Central Intelligence Agency and was confirmed by the Senate for that position. When Mr. Casey became seriously ill in December of 1986, Mr. Gates was appointed Acting Director where he served until April of 1987, when Judge Webster became Director. After serving again as Deputy Director under Judge Webster—we had a lot of experience working with Mr. Gates during that period of time as he served as Judge Webster's deputy—Mr. Gates again returned to the White House in January of 1989 to serve as Deputy Assistant to the President for National Security Affairs, the position which he currently holds.

We welcome him to the Committee today.

The Committee has respect for this nominee's professional ability and intellectual capabilities. We appreciate the cooperative spirit with which he has worked with this committee, both as Acting Director, as Deputy to Judge Webster, and again as Deputy National Security Advisor to the President. I would say, and I think my colleagues would agree with me, that our experience with this nominee during the time both as Acting Director and Deputy to Judge Webster, demonstrated that he strongly supported the oversight process, that he advised constantly the Director to be as open as possible with this Committee and wherever possible, if there was a question, to err on the side of providing too much rather than too little information to this Committee. And we appreciate that record of cooperation that we have with this nominee.

At the same time, our first responsibility is to the American people. Since so many of the activities of this sensitive position are conducted in secret, we, acting as trustees for the people, must assure ourselves to the best of our abilities that the record of this nominee reflects those personal qualities that would qualify him to serve as Director.

Our task is complicated by the fact that the investigation of the Iran-Contra affair by the Independent Counsel is still ongoing. In recent weeks, with the pleas entered by Mr. Alan D. Fiers, Jr., the former Director of the Central American Task Force of the CIA, and the indictment of Mr. Clair George, the former Deputy Direc-

tor for Operations, new questions have been raised which require careful scrutiny.

The Committee is handicapped in its efforts because grand jury rules prohibit a sharing of information about testimony before the grand jury with our Committee by the Independent Counsel.

Since the law provides that the investigation of the Independent Counsel could continue for months, since there is a possibility of legal action based upon grand jury testimony, it could be as long as five years of additional process under the law from now. It would not be possible for this Committee to further delay its work and still give the President's nomination the fair consideration which it deserves.

The Committee has therefore endeavored to develop its own base of information relating to these events so that we can reach our own conclusions based upon the best evidence available to us.

When these hearings have come to a conclusion, it is my hope that the American people will be able to use three words to describe our efforts—thorough, fair and non-partisan.

We have sought to be as thorough as possible. We have reviewed the entire record of the Iran-Contra affair. We propounded a series of written questions to the nominee, designed to fill in factual gaps in that record when possible. The nominee answered these questions in a sworn statement and we are making these public today along with other documents.

The Committee requested and obtained the help of the FBI and the Inspector General of the CIA in further expanding its background checks of the nominee and in attempting to evaluate the factual basis of any and all allegations that have been raised privately or in the media about the activities of the nominee.

The Committee also found it necessary in some cases to obtain sworn statements from other Iran-Contra witnesses with respect to their previous testimonies relating to the nominee to clarify and supplement the record. These will be made public later this week.

In view of the information contained in the Fiers' plea bargain agreement made public in July, we also found it necessary to request additional documentation from the CIA and to examine additional CIA witnesses in an attempt to ascertain what, if anything, the nominee might have known with respect to the disclosures made by Mr. Fiers. Most have agreed to talk with us without immunity from prosecution. However, attorneys for several key officials, including Mr. George and Mr. Fiers, himself, would not permit their clients to provide testimony without immunity. The Committee did in fact obtain an immunity order for Mr. Fiers, and we will have him testify before us later this week. But we have not voted immunity for any other witness out of deference to the concerns of the Independent Counsel. We are still endeavoring to see if we can work out a way to receive the voluntary testimony of others that might be impacted by this decision. We have also heard voluntary testimony from the past Chief of the Latin American Division of the CIA and a declassified transcript of his testimony will be made public prior to the conclusion of these hearings.

While these hearings will be conducted in public to the maximum degree possible, there are some areas which require closed deliberation by our Members because of the classified information in-

volved. This includes materials related to the preparation of intelligence analysis and estimates which remain classified and highly sensitive. Our policy will be to release all information to the public related to the objectivity of intelligence analysis that can be released without compromising vital national security interests.

In addition to being thorough, we are determined to be fair. This nominee will be given an opportunity, after we have heard other witnesses, to appear before us again if he should desire to do so.

In preparing for these hearings, the staff designees, appointed by each of the 15 Republican and Democratic Members of this Committee representing all points of view, have participated in decisions regarding the calling of witnesses, obtaining of documents, and the propounding of questions. Any information requested by any Member of this Committee has been sought from the appropriate agency.

It is my view that it is my own personal responsibility and my responsibility as Chairman to reach no final conclusions about this nomination until I have heard all of the evidence and testimony. I believe that other Members of the Committee approach the task before us with a similar determination to be both thorough and fair.

Finally, these proceedings will be used solely as a forum to judge the qualifications of this nominee and not for any broader political purpose. This nominee, after 25 years of professional service, is entitled to consideration on his own merits. I am proud of the fact that during the almost five years that I have been privileged to serve as Chairman of this Committee, along with two distinguished Vice Chairmen from the other party, Senator Frank Murkowski, here today, the current Vice Chairman of our Committee, and the former Vice Chairman, Senator Bill Cohen, that we have never had a single vote strictly along party lines in this Committee. We have sought to put aside party considerations and to render the best possible judgments we could make for our country. We intend to do just that in the hearings that begin today.

With this background, let me briefly outline the Committee's plan for the hearings. It is anticipated that the initial questioning of the nominee will take place today and tomorrow following the opening statements of Members and introductory statements of the nominee. There will be no hearings on Wednesday, which is Yom Kippur.

On Thursday, the hearing will be devoted to outside witnesses focused principally upon Iran-Contra issues. We will hear Alan D. Fiers, Jr.; former Deputy DCI John McMahon; Charles Allen, a senior CIA official; acting Director of Central Intelligence Richard Kerr; former Deputy Director Admiral Bobby Inman; and from former CIA officer Tom Polgar.

If we complete the testimony of these witnesses, on Friday we will have the closed session I referred to earlier on the objectivity of intelligence estimates. There will need to be additional consideration, I might say also in closed session, of classified intelligence sharing activities with certain other countries.

It is impossible to set an exact timetable. The hearings could go into next week, in which case they will resume on Tuesday, the

24th. They will be expeditious, but they will last as long as they need to last for the Committee to do its job properly.

If there is no objection, I ask that the following documents be placed into the record of these hearings. First, the nominee's answers to the Committee's standard questionnaire. Second, the nominee's answers to our supplementary questions pertaining to Iran-Contra issues. Third, a letter dated July 1st, 1991, from Steven D. Potts, Director, Office of Government Ethics, transmitting the financial disclosure form of the nominee. Fourth, the declassified transcript of Director Casey's testimony before the Committee on November 21, 1986. Fifth, the declassified transcript of Mr. Gates' appearance before the Tower Board on January 12, 1987. And, finally, the declassified transcript of Mr. Gates' appearance before the House Select Committee on Intelligence on December 10, 1986.

Without objection, these will all be entered into the record.

[The documents referred to follow:]

# SELECT COMMITTEE ON INTELLIGENCE

UNITED STATES SENATE



QUESTIONNAIRE FOR COMPLETION BY  
PRESIDENTIAL NOMINEES

EFFECTIVE JANUARY 1986

PART A - BIOGRAPHICAL INFORMATION

- Age

7. EDUCATION SINCE HIGH SCHOOL:

<u>INSTITUTION</u>	<u>DATES ATTENDED</u>	<u>DEGREE RECEIVED</u>	<u>DATE OF DEGREE</u>
<u>College of William &amp; Mary</u>	<u>1961-65</u>	<u>BA</u>	<u>1965</u>
<u>Indiana University</u>	<u>1965-66</u>	<u>MA</u>	<u>1966</u>
<u>Georgetown University</u>	<u>1969</u>	<u>PhD</u>	<u>1974</u>

-2-

8. EMPLOYMENT RECORD (LIST ALL POSITIONS HELD SINCE COLLEGE, INCLUDING MILITARY SERVICE. INDICATE NAME OF EMPLOYER, POSITION TITLE OR DESCRIPTION, LOCATION, AND DATES OF EMPLOYMENT):

EMPLOYER	POSITION/TITLE	LOCATION	DATES OF EMPLOYMENT
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(See Attached)

9. GOVERNMENT EXPERIENCE (INDICATE EXPERIENCE IN OR ASSOCIATION WITH FEDERAL, STATE OR LOCAL GOVERNMENTS, INCLUDING ADVISORY, CONSULTATIVE, HONORARY OR OTHER PART-TIME SERVICE OR POSITION. DO NOT REPEAT INFORMATION ALREADY PROVIDED IN ANSWER TO QUESTION 8):

Williamsburg, VA Public Schools	School Bus Driver (part-time when student)	Williamsburg, VA	1963-65
State of Kansas Grain Inspection Department	Grain Inspector (Summer job)	Wichita, KS	1961
Wichita, KS Parks Commission	Laborer (Summer job)	Wichita, KS	1962-65

8. EMPLOYMENT RECORD (LIST ALL POSITIONS HELD SINCE COLLEGE, INCLUDING MILITARY SERVICE. INDICATE NAME OF EMPLOYER, POSITION TITLE OR DESCRIPTION, LOCATION, AND DATES OF EMPLOYMENT):

EMPLOYER	POSITION/TITLE	LOCATION	DATES OF EMPLOYMENT
CIA	Biographic Analyst	Washington, D.C.	8/66-10/66
U.S. Air Force	Commissioned Officer 1st LT	Washington, D.C. Officer Training School Lackland AFB, TX  351st Strategic Missile Wing Whiteman AFB, MO	10/66-1/68
U.S. Air Force (on detail to CIA)	Analyst, Office of Current Intelligence	Washington, D.C.	1/68-1/69
CIA	Analyst, Office of Current Intelligence	Washington, D.C.	1/69-6/71
CIA	Staff Member, CIA SALT Support Staff/ Intelligence Adviser U.S. SALT Delegation	Washington, D.C. Vienna, Austria Geneva, Switzerland	6/71-11/73
CIA	Assistant National Intelligence Officer for Strategic Programs	Washington, D.C.	11/73-6/74
CIA (on detail to NSC Staff)	Staff Member for USSR and Europe, National Security Council	White House	6/74-12/76
CIA	Staff Member, Center for Policy Support Directorate of Intelligence	Washington, D.C.	12/76-6/77
CIA (on detail to NSC Staff)	Special Assistant to National Security Advisor, Zbigniew Brzezinski	White House	6/77-12/79
CIA	Director, Strategic Evaluation Center, Office of Strategic Research	Washington, D.C.	12/79-2/80
CIA	Executive Assistant to Director of Central Intelligence	Washington, D.C.	2/80-10/80

(Continued)



## 8. (Continued)

CIA	National Intelligence Officer for USSR/ Eastern Europe	Washington, D.C.	10/80-3/81
CIA	Director, DCI-DDCI Executive Staff	Washington, D.C.	3/81-1/82
CIA	Director, Office of Policy and Planning	Washington, D.C.	7/81-1/82
CIA	National Intelligence Officer for USSR/ Eastern Europe	Washington, D.C.	10/81-1/82
CIA	Deputy Director for Intelligence	Washington, D.C.	1/82-4/86
CIA	Chairman, National Intelligence Council	Washington, D.C.	9/83-4/86
CIA	Deputy Director of Central Intelligence	Washington, D.C.	4/86-1/89
The White House	Deputy Assistant to the President for National Security Affairs	Washington, D.C.	1/89-8/89
The White House	Assistant to the President and Deputy for National Security Affairs	Washington, D.C.	8/89- Present

-3-

10. HONORS AND AWARDS (PROVIDE INFORMATION ON SCHOLARSHIPS, FELLOWSHIPS, HONORARY DEGREES, MILITARY DECORATIONS, CIVILIAN SERVICE CITATIONS, OR ANY OTHER SPECIAL RECOGNITION FOR OUTSTANDING PERFORMANCE OR ACHIEVEMENT):

Admiral Cary T. Grayson Scholarship (College of William & Mary)	1961-1965
Richard Lee Morton Scholarship (Honors in History)	1964-65
(College of William & Mary)	
Algernon Sydney Sullivan Medal (presented by William & Mary to	1965
graduating senior who has made greatest contribution to fellow man)	
Arthur S. Flemming Award (to 10 most outstanding young people in	1978
Federal Service - by Jaycees)	
CIA Intelligence Medal of Merit	1981
CIA Distinguished Intelligence Medal	1986
CIA Distinguished Intelligence Medal	1989
National Intelligence Distinguished Service Medal	1989

11. ORGANIZATIONAL AFFILIATIONS (LIST MEMBERSHIPS IN AND OFFICES HELD WITHIN THE LAST TEN YEARS IN ANY PROFESSIONAL, CIVIC, FRATERNAL, BUSINESS, SCHOLARLY, CULTURAL, CHARITABLE OR OTHER SIMILAR ORGANIZATIONS):

<u>ORGANIZATION</u>	<u>OFFICE HELD</u>	<u>DATES</u>
Council on Foreign Relations	None	1982-Present
Security Affairs Support Association	Member, Board of Directors	5/88-6/89

12. PUBLISHED WRITINGS AND SPEECHES (LIST THE TITLES, PUBLISHERS, AND PUBLICATION DATES OF ANY BOOKS, ARTICLES, REPORTS OR OTHER PUBLISHED MATERIALS YOU HAVE AUTHORED. ALSO LIST THE TITLES OF ANY PUBLIC SPEECHES YOU HAVE MADE WITHIN THE LAST 10 YEARS FOR WHICH THERE IS A TEXT OR TRANSCRIPT. TO THE EXTENT POSSIBLE, PLEASE PROVIDE A COPY OF EACH SUCH PUBLICATION, TEXT OR TRANSCRIPT:

(See attached)

12. PUBLISHED WRITINGS AND SPEECHES (LIST TITLES, PUBLISHERS, AND PUBLICATION DATES OF ANY BOOKS, ARTICLES, REPORTS OR OTHER PUBLISHED MATERIALS YOU HAVE AUTHORED. ALSO LIST THE TITLES OF ANY PUBLIC SPEECHES YOU HAVE MADE WITHIN THE LAST 10 YEARS FOR WHICH THERE IS A TEXT OR TRANSCRIPT. TO THE EXTENT POSSIBLE, PLEASE PROVIDE A COPY OF EACH SUCH PUBLICATION, TEXT OR TRANSCRIPT:

1. "The Prediction of Soviet Intentions" (SECRET); Studies in Intelligence, Spring 1973.
2. "An Opportunity Unfulfilled -- The Use and Perceptions of Intelligence Analysis at the White House" (SECRET); Studies in Intelligence, 1980.
3. "The Soviet Threat"; Speech at 50th Session of Military Operations Research Society, March 1983.
4. "Is the CIA's Analysis Any Good?"; Washington Post, 12 December 1984.
5. "CIA and the University"; Speech at Harvard University, 13 February 1986.
6. "The Soviets and SDI"; Address to the World Affairs Council of Northern California Bay Area International Forum, 25 November 1986.
7. "War By Another Name"; Address to the Commonwealth Club of California, 25 November 1986.
8. "Issues and Trends Affecting U.S. Business in Latin America and the Caribbean"; Address to the Executive Committee and Trustees of the International Center of Florida, 11 December 1986.
9. "The Soviets and SDI"; Address to the National Military Intelligence Association, Potomac Chapter, 15 January 1987.
10. "War By Another Name"; Address to the Dallas Council on World Affairs, 3 February 1987.
11. Statement of Nominee to be Director of Central Intelligence, Senate Select Committee on Intelligence, 17 February 1987.
12. "CIA and American Foreign Policy"; Address to the Chicago Committee, sponsored by the Chicago Council on Foreign Relations, 5 May 1987.
13. "War By Another Name"; Address to the Agency Military Reserve Unit Lecture Program, 14 September 1987.
14. "CIA and the Making of American Foreign Policy"; Address to Princeton University, Woodrow Wilson School of Public and International Affairs, 29 September 1987.
15. Discussion Paper to the Consortium for the Study of Intelligence, 4 December 1987.
16. "The CIA and American Foreign Policy"; Foreign Affairs, Winter 1987/88.
17. "What is Going on in the Soviet Union"; Address to the Dallas Council on World Affairs, 19 January 1988.
18. "Technology Transfer"; Address to the American Electronics Association Texas - Council, 16 February 1988.
19. "The Traditional Functions of National Intelligence"; Address to Indiana University of Pennsylvania 29th Annual Raymond L. Lee Public Affairs Forum, 11 April 1988.
20. "What is Going on in the Soviet Union"; Address to Austin Foreign Affairs Council, Lyndon Baines Johnson Library, 26 May 1988.
21. "The Gorbachev Era: Implications for U.S. Strategy"; Address to the Current Strategy Forum, Naval War College, 16 June 1988.
22. "Recent Developments in the Soviet Union and Implications for U.S. Security Policy"; Address to the American Association for the Advancement of Science Colloquium on Science, Arms Control and National Security, 14 October 1988.
23. "Future Intelligence Challenges"; Address to the Association of Former Intelligence Officers 14th Annual Convention, 15 October 1988.
24. "Developments in the Soviet Union: Implications for U.S. Strategy"; Address the Air Force Symposium, 21 October 1988.

25. "Gorbachev and Critical Change in the Soviet Union: Implications for the West"; Address to the Center for Strategic & International Studies Conference, The 1990's: Critical Change, 1 April 1989
26. "National Security Policymaking: The View from the Kitchen"; Address to the 17th National Collegiate Security Conference Sponsored by the Georgetown International Relations Association, 26 October 1989.
27. "Change, Hope and Uncertainty"; Address to the CSIS International Counselors, 4 June 1990.
28. "Eastern Europe: Change, Hope and the United States"; Address to the American Electronics Association (Conference on Eastern Europe), 27 June 1990.
29. Address to the Electronic Industries Association, Washington, D.C., 14 February 1991.
30. "American Leadership in a New World"; Address to the American Newspaper Publisher's Association, Vancouver, B.C., 7 May 1991.

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PART B - QUALIFICATIONS AND REFERENCES

13. QUALIFICATIONS (DESCRIBE WHY YOU BELIEVE YOU ARE QUALIFIED TO SERVE IN THE POSITION FOR WHICH YOU HAVE BEEN NOMINATED):

(See attached)

14. REFERENCES (PROVIDE THE NAMES AND BUSINESS ADDRESSES AND TELEPHONE NUMBERS OF FIVE INDIVIDUALS WHOM YOU BELIEVE ARE IN A POSITION TO COMMENT ON YOUR QUALIFICATIONS TO SERVE IN THE POSITION FOR WHICH YOU HAVE BEEN NOMINATED. INCLUDE THREE INDIVIDUALS WHO HAVE KNOWN YOU FOR AT LEAST FIVE YEARS):

<u>NAME</u>	<u>BUSINESS ADDRESS</u>	<u>BUSINESS TELEPHONE</u>	<u>YEARS KNOWN</u>
<u>Brent Scowcroft</u>	The White House Washington, D.C. 20500	(202) 456-2257	17
<u>Richard B. Cheney</u>	The Pentagon, Rm 3E880 Washington, D.C. 20301	(202) 695-5261	10
<u>B. R. Inman</u>	available upon request		15
<u>Lawrence S. Eagleburger</u>	Department of State Washington, D.C. 20520-7512	(202) 647-9640	15
<u>William H. Webster</u>	available upon request		10

13. Qualifications (describe why you believe you are qualified to serve in the position for which you have been nominated):

My qualifications to serve as Director of Central Intelligence include a quarter century of experience in leadership roles in the CIA and intelligence and policy communities. I have served as Deputy National Security Advisor, Deputy Director of Central Intelligence, head of the CIA's Intelligence Directorate, and Chairman of the National Intelligence Committee. I have served as an intelligence analyst, a senior intelligence manager, a policy user of intelligence, and a close observer of how the most senior officials of five administrations have viewed and used intelligence.

#### Analyst

I began my career in U.S. intelligence 25 years ago as a military intelligence officer in a Minuteman Missile Wing. I spent my first half dozen years at CIA as an analyst, specializing in the Soviet Union. I subsequently served twice as National Intelligence Officer for the Soviet Union and Eastern Europe -- the most senior position in the Intelligence Community on those subjects.

#### Senior Manager

As Deputy Director for Intelligence and Chairman of the National Intelligence Council, I developed a strategy for long-range improvement of a major element of American intelligence and implemented that strategy successfully over a number of years. In January 1982, I introduced measures to bring about the long-range improvement of CIA analysis, including accountability (for the first time) of analysts for their forecasts and assessments; significantly expanded contact with outside experts and exposure of analysts to different points of view; more rigorous standards with respect to the quality of the product; greatly increased supervisory involvement in reviewing assessments and ensuring quality control; greater use of alternative scenarios and more candor about uncertainties; a cohesive program of research developed in cooperation with policymakers; and creation of a permanent mechanism to evaluate and learn from past performance. Ninety days before my appointment as DDI, the directorate had undergone the most wide-ranging reorganization in a generation -- and I brought near to fruition the reorganization's objective of integrated, multi-disciplinary analysis. New centers were created to concentrate on terrorism, narcotics, insurgency, political instability and counterintelligence analysis. CIA contacts and dialogue with policymakers were dramatically intensified. The number of National Estimates was significantly expanded, and the process by which they are produced was changed to highlight different points of view among agencies. Efforts were undertaken to make estimates more timely and relevant and increase the likelihood that senior policymakers would read them.

During my tenure as Deputy Director for Intelligence, I encouraged the establishment of a new covert action review system within CIA under which covert action proposals would be reviewed by the Deputy Director for Intelligence and by appropriate experts in the intelligence Directorate to validate premises underlying a proposal, assess the risk involved, and suggest ways to make proposed activities more effective. More generally, as DDI, I worked with the Directorate of Operations to improve HUMINT intelligence coverage and to ensure that this effort would be properly guided by the requirements process. I pushed especially hard to improve the quality and quantity of clandestine human political and economic reporting from the Third World.

#### Intelligence Community

For seven years (1982-1989), I worked with two DCI's to improve relations among elements of the Intelligence Community. When I was DDI, we established, under the chairmanship of my deputy, the Intelligence Producers Council, bringing together for the first time managers of the principal analytical elements of the Community to discuss common problems, to compare prospective research programs, and to enhance the sharing of information on a wide range of issues. In response to suggestions from the intelligence committees, I urged that the IPC be used to share information on external contracts, both prospective and completed, to ensure that duplication was minimized and that all elements of the Community would share in the finished product. More military and other non-CIA officers served on the National Intelligence Council when I was Chairman and then DDCI than at any time in its history. Indeed, for the first time since CIA was created, a senior military officer served Chairman of the Council and oversaw the preparation of all national estimates. For the first time, CIA and DIA cooperated in the production of joint assessments of Soviet production of more than 200 categories of weapons for the preceding ten years. In 1986, again for the first time, at my suggestion CIA and DIA collaborated in the preparation of joint testimony to the Joint Economic Committee of the Congress and appeared together for the first time to provide that briefing.

As Deputy Director of Central Intelligence for nearly three years, I gained the unique perspective that can come only from sharing, along with the DCI, full responsibility for the performance of this country's Intelligence Community. Building on the progress made by Admiral Inman and John McMahon, we made further changes in the process of preparing the Intelligence Community budget to ensure the full participation of senior community managers. In this process we attempted to look at the budget from the standpoint of requirements -- our performance against policy community requirements, gaps in performance, and the measures necessary to remedy those gaps. We made organizational changes in the Intelligence Community Staff to consolidate these changes.

First as Acting DCI, and then working with DCI Webster, I developed a steering group of senior intelligence community managers to work out major budget problems and to accommodate changes or reductions in intelligence programs as we adjusted to a rapidly changing budgetary climate -- but doing so in a collaborative manner leading to DCI decisions.

#### User of Intelligence

I am fortunate to have gained extensive experience and familiarity with how intelligence is used and perceived in policy agencies and by policymakers. I began to acquire this perspective early in my career with my assignment as an intelligence advisor to the U.S. SALT delegation and then to the National Security Council Staff for more than five years. I subsequently tried to translate what I had learned into improved intelligence support for policymakers.

Observing both the strengths and weaknesses of our policymaking process and of intelligence support to that process, and the interaction between Executive and Legislative branches, I have watched at close hand five Presidents and their advisors deal with innumerable foreign crises, large and small -- and the role played by intelligence in those crises.

Since January 1989, as Deputy National Security Advisor and Chairman of the NSC Deputies Committee, I have had the opportunity to see and use the intelligence contribution both for policy development and for crisis management -- all during a period of extraordinarily rapid change in international affairs and in the internal affairs of countries important to U.S. interests. I also saw first hand the strengths and weaknesses of intelligence during the Persian Gulf War, and how decisionmakers used and viewed that intelligence. These experiences have given me not only insights to the intelligence needs of our leaders but also direct exposure to many of our foreign adversaries and friends alike that is useful to understanding the challenges facing U.S. intelligence and the challenges confronting our country.



**PART C - POLITICAL AND FOREIGN AFFILIATIONS**

15. POLITICAL ACTIVITIES (LIST ANY MEMBERSHIPS OR OFFICES HELD IN OR FINANCIAL CONTRIBUTIONS OR SERVICES RENDERED TO, ANY POLITICAL PARTY, ELECTION COMMITTEE, POLITICAL ACTION COMMITTEE, OR INDIVIDUAL CANDIDATE DURING THE LAST TEN YEARS):

None.

16. CANDIDACY FOR PUBLIC OFFICE (FURNISH DETAILS OF ANY CANDIDACY FOR ELECTIVE PUBLIC OFFICE):

None.

17. FOREIGN AFFILIATIONS

NOTE: QUESTIONS 17 A AND B ARE NOT LIMITED TO RELATIONSHIPS REQUIRING REGISTRATION UNDER THE FOREIGN AGENTS REGISTRATION ACT. QUESTIONS 17 A, B AND C DO NOT CALL FOR A POSITIVE RESPONSE IF THE REPRESENTATION OR TRANSACTION WAS AUTHORIZED BY THE UNITED STATES GOVERNMENT IN CONNECTION WITH YOUR OR YOUR SPOUSE'S EMPLOYMENT IN GOVERNMENT SERVICE.

- A. HAVE YOU OR YOUR SPOUSE EVER REPRESENTED IN ANY CAPACITY (E.G., EMPLOYEE, ATTORNEY, BUSINESS, OR POLITICAL ADVISER

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OR CONSULTANT), WITH OR WITHOUT COMPENSATION, A FOREIGN GOVERNMENT OR AN ENTITY CONTROLLED BY A FOREIGN GOVERNMENT? IF SO, PLEASE FULLY DESCRIBE SUCH RELATIONSHIP.

No.

- B. IF YOU OR YOUR SPOUSE HAS EVER BEEN FORMALLY ASSOCIATED WITH A LAW, ACCOUNTING, PUBLIC RELATIONS FIRM OR OTHER SERVICE ORGANIZATION, HAVE ANY OF YOUR OR YOUR SPOUSE'S ASSOCIATES REPRESENTED, IN ANY CAPACITY, WITH OR WITHOUT COMPENSATION, A FOREIGN GOVERNMENT OR AN ENTITY CONTROLLED BY A FOREIGN GOVERNMENT? IF SO, PLEASE FULLY DESCRIBE SUCH RELATIONSHIP.

No.

- C. DURING THE PAST TEN YEARS HAVE YOU OR YOUR SPOUSE RECEIVED ANY COMPENSATION FROM, OR BEEN INVOLVED IN ANY FINANCIAL OR BUSINESS TRANSACTIONS WITH, A FOREIGN GOVERNMENT OR AN ENTITY CONTROLLED BY A FOREIGN GOVERNMENT? IF SO, PLEASE FURNISH DETAILS.

No.

- D. HAVE YOU OR YOUR SPOUSE EVER REGISTERED UNDER THE FOREIGN AGENTS REGISTRATION ACT? IF SO, PLEASE FURNISH DETAILS.

No.

18. DESCRIBE ANY LOBBYING ACTIVITY DURING THE PAST TEN YEARS, OTHER THAN IN AN OFFICIAL U.S. GOVERNMENT CAPACITY, IN WHICH YOU OR YOUR SPOUSE HAVE ENGAGED FOR THE PURPOSE OF DIRECTLY OR INDIRECTLY INFLUENCING THE PASSAGE, DEFEAT OR MODIFICATION OF

LEGISLATION AT THE NATIONAL LEVEL OF GOVERNMENT, OR FOR THE PURPOSE OF AFFECTING THE ADMINISTRATION AND EXECUTION OF NATIONAL LAW OR PUBLIC POLICY.

None.

#### PART D - FINANCIAL DISCLOSURE AND CONFLICT OF INTEREST

19. DESCRIBE ANY EMPLOYMENT, BUSINESS RELATIONSHIP, FINANCIAL TRANSACTION, INVESTMENT, ASSOCIATION OR ACTIVITY (INCLUDING, BUT NOT LIMITED TO, DEALINGS WITH THE FEDERAL GOVERNMENT ON YOUR OWN BEHALF OR ON BEHALF OF A CLIENT), WHICH COULD CREATE, OR APPEAR TO CREATE, A CONFLICT OF INTEREST IN THE POSITION TO WHICH YOU HAVE BEEN NOMINATED.

None.

20. DO YOU INTEND TO SEVER ALL BUSINESS CONNECTIONS WITH YOUR PRESENT EMPLOYERS, FIRMS, BUSINESS ASSOCIATES AND/OR PARTNERSHIPS OR OTHER ORGANIZATIONS IN THE EVENT THAT YOU ARE CONFIRMED BY THE SENATE? IF NOT, PLEASE EXPLAIN.

I have no such business connections.

21. DESCRIBE THE FINANCIAL ARRANGEMENTS YOU HAVE MADE OR PLAN TO MAKE, IF YOU ARE CONFIRMED, IN CONNECTION WITH SEVERANCE FROM YOUR CURRENT POSITION. PLEASE INCLUDE SEVERANCE PAY, PENSION RIGHTS, STOCK OPTIONS, DEFERRED INCOME ARRANGEMENTS, AND ANY AND ALL COMPENSATION THAT WILL OR MIGHT BE RECEIVED IN THE FUTURE AS A RESULT OF YOUR CURRENT BUSINESS OR PROFESSIONAL RELATIONSHIPS.

I have no such financial arrangements.

22. DO YOU HAVE ANY PLANS, COMMITMENTS OR AGREEMENTS TO PURSUE OUTSIDE EMPLOYMENT, WITH OR WITHOUT COMPENSATION, DURING YOUR SERVICE WITH THE GOVERNMENT? IF SO, PLEASE FURNISH DETAILS.

No.

23. AS FAR AS CAN BE FORESEEN, STATE YOUR PLANS AFTER COMPLETING GOVERNMENT SERVICE. PLEASE SPECIFICALLY DESCRIBE ANY AGREEMENTS OR UNDERSTANDINGS, WRITTEN OR UNWRITTEN, CONCERNING EMPLOYMENT AFTER LEAVING GOVERNMENT SERVICE. IN PARTICULAR, DESCRIBE ANY AGREEMENTS, UNDERSTANDINGS OR OPTIONS TO RETURN TO YOUR CURRENT POSITION.

No present plans; no agreements; no understandings or options.

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24. IF YOU ARE PRESENTLY IN GOVERNMENT SERVICE, DURING THE PAST FIVE YEARS OF SUCH SERVICE, HAVE YOU RECEIVED FROM A PERSON OUTSIDE OF GOVERNMENT AN OFFER OR EXPRESSION OF INTEREST TO EMPLOY YOUR SERVICES AFTER YOU LEAVE GOVERNMENT SERVICE?

No.

25. IS YOUR SPOUSE EMPLOYED? IF THE NATURE OF THIS EMPLOYMENT IS RELATED IN ANY WAY TO THE POSITION FOR WHICH YOU ARE SEEKING CONFIRMATION, PLEASE INDICATE YOUR SPOUSE'S EMPLOYER, THE POSITION AND THE LENGTH OF TIME THE POSITION HAS BEEN HELD. IF YOUR SPOUSE'S EMPLOYMENT IS NOT RELATED TO THE POSITION TO WHICH YOU HAVE BEEN NOMINATED, PLEASE SO STATE.

My spouse's employment is not related in any way to the position to which I have been nominated.

26. LIST BELOW ALL CORPORATIONS, PARTNERSHIPS, FOUNDATIONS, TRUSTS, OR OTHER ENTITIES TOWARD WHICH YOU OR YOUR SPOUSE HAVE FIDUCIARY OBLIGATIONS OR IN WHICH YOU OR YOUR SPOUSE HAVE HELD DIRECTORSHIPS OR OTHER POSITIONS OF TRUST DURING THE PAST FIVE YEARS.

<u>NAME OF ENTITY</u>	<u>POSITION</u>	<u>DATES HELD</u>	<u>SELF OR SPOUSE</u>
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None.

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27. LIST ALL GIFTS EXCEEDING \$500 IN VALUE RECEIVED DURING THE PAST FIVE YEARS BY YOU, YOUR SPOUSE, OR YOUR DEPENDENTS. GIFTS RECEIVED FROM RELATIVES AND GIFTS GIVEN TO A SPOUSE OR DEPENDENT TOTALLY INDEPENDENT OF THEIR RELATIONSHIP TO YOU NEED NOT BE INCLUDED.

Nicholas F. Brady  
(in his private capacity)

Airline transport, motel room, meals for  
self and spouse: trip from Washington,  
D.C. to Louisville and return, May 4-5, 1990

\$1,500

28. LIST ALL SECURITIES, REAL PROPERTY, PARTNERSHIP INTERESTS, OR OTHER INVESTMENTS OR RECEIVABLES WITH A CURRENT MARKET VALUE (OR, IF MARKET VALUE IS NOT ASCERTAINABLE, ESTIMATED CURRENT FAIR VALUE) IN EXCESS OF \$1,000. (NOTE: THE INFORMATION PROVIDED IN RESPONSE TO SCHEDULE A OF THE DISCLOSURE FORMS OF THE OFFICE OF GOVERNMENT ETHICS MAY BE INCORPORATED BY REFERENCE, PROVIDED THAT CURRENT VALUATIONS ARE USED.)

DESCRIPTION OF PROPERTY	VALUE	METHOD OF VALUATION
Personal Residence	\$285,000	County Assessment (1990)
Dominion Resources, Inc. (Common stock)	6,000	Market Value
US EE Savings Bonds	17,000	Face value (at maturity)
IRA Bank Deposit/Sovran Bank (self)	19,110	Cash value
IRA Bank Deposit/Sovran Bank (spouse)	19,110	Cash value

29. LIST ALL LOANS, MORTGAGES, OR OTHER INDEBTEDNESS (INCLUDING ANY CONTINGENT LIABILITIES) IN EXCESS OF \$10,000. (NOTE: THE INFORMATION PROVIDED IN RESPONSE TO SCHEDULE D OF THE DISCLOSURE FORM OF THE OFFICE OF GOVERNMENT ETHICS MAY BE INCORPORATED BY REFERENCE, PROVIDED THAT CONTINGENT LIABILITIES ARE ALSO INCLUDED.)

NATURE OF OBLIGATION	NAME OF OBLIGEE	AMOUNT
Mortgage (personal residence)	Associates National	\$90,000 (12/1/90)
Second Trust (mortgage) (home improvements)	American General Finance	15,790

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30. ARE YOU OR YOUR SPOUSE NOW IN DEFAULT ON ANY LOAN, DEBT OR OTHER FINANCIAL OBLIGATION? HAVE YOU OR YOUR SPOUSE BEEN IN DEFAULT ON ANY LOAN, DEBT OR OTHER FINANCIAL OBLIGATION IN THE PAST TEN YEARS? IF THE ANSWER TO EITHER QUESTION IS YES, PLEASE PROVIDE DETAILS.

No.

31. LIST SOURCES AND AMOUNTS OF ALL INCOME RECEIVED DURING THE LAST FIVE YEARS, INCLUDING ALL SALARIES, FEES, DIVIDENDS, INTEREST, GIFTS, RENTS, ROYALTIES, PATENTS, HONORARIA, AND OTHER ITEMS EXCEEDING \$500. (IF YOU PREFER TO DO SO, COPIES OF U.S. INCOME TAX RETURNS FOR THESE YEARS MAY BE SUBSTITUTED HERE, BUT THEIR SUBMISSION IS NOT REQUIRED.)

	1986	1987	1988	1989	1990
Salary	\$132,407	\$144,506	\$144,255	\$153,081	\$150,127
Fees, royalties					
Dividends				33	153
Interest	428	396	254	181	285
Gifts					1,500
Rents					
Other-exceeding \$500					
Total	\$132,835	\$144,902	\$144,509	\$153,295	\$152,065

32. IF ASKED, WOULD YOU PROVIDE THE COMMITTEE WITH COPIES OF YOUR AND YOUR SPOUSE'S FEDERAL INCOME TAX RETURNS FOR THE PAST THREE YEARS?

Yes.

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33. HAVE YOUR FEDERAL OR STATE TAX RETURNS BEEN THE SUBJECT OF ANY AUDIT, INVESTIGATION OR INQUIRY AT ANY TIME? IF SO, PLEASE PROVIDE DETAILS, INCLUDING THE RESULT OF ANY SUCH PROCEEDING.

Virginia State Return (1981). Interest computed incorrectly.  
Assessed additional \$76.42

34. ATTACH A SCHEDULE ITEMIZING EACH INDIVIDUAL SOURCE OF INCOME WHICH EXCEEDS \$500. IF YOU ARE AN ATTORNEY, ACCOUNTANT, OR OTHER PROFESSIONAL; ALSO ATTACH A SCHEDULE LISTING ALL CLIENTS AND CUSTOMERS WHOM YOU BILLED MORE THAN \$500 WORTH OF SERVICES DURING THE PAST FIVE YEARS.

None other than listed in response to question 31.

35. DO YOU INTEND TO PLACE YOUR FINANCIAL HOLDINGS AND THOSE OF YOUR SPOUSE AND DEPENDENT MEMBERS OF YOUR IMMEDIATE HOUSEHOLD IN A BLIND TRUST? IF YES, PLEASE FURNISH DETAILS.

No.

36. EXPLAIN HOW YOU WILL RESOLVE ANY ACTUAL OR POTENTIAL CONFLICTS OF INTEREST THAT MAY BE INDICATED BY YOUR RESPONSE TO THE QUESTIONS IN THIS PART OR IN PART C (QUESTIONS 15 THRU 35).

n/a



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PART E - ETHICAL MATTERS

37. HAVE YOU EVER BEEN DISCIPLINED OR CITED FOR A BREACH OF ETHICS FOR UNPROFESSIONAL CONDUCT BY, OR BEEN THE SUBJECT OF A COMPLAINT TO, ANY COURT, ADMINISTRATIVE AGENCY, PROFESSIONAL ASSOCIATION, DISCIPLINARY COMMITTEE OR OTHER PROFESSIONAL GROUP? IF SO, PROVIDE DETAILS.
- No.
38. HAVE YOU EVER BEEN INVESTIGATED, HELD, ARRESTED, OR CHARGED BY ANY FEDERAL, STATE, OR OTHER LAW ENFORCEMENT AUTHORITY FOR VIOLATION OF ANY FEDERAL, STATE, COUNTY, OR MUNICIPAL LAW, REGULATION, OR ORDINANCE, OTHER THAN A MINOR TRAFFIC OFFENSE, OR NAMED EITHER AS A DEFENDANT OR OTHERWISE IN ANY INDICTMENT OR INFORMATION RELATING TO SUCH VIOLATION? IF SO, PROVIDE DETAILS.
- No.
39. HAVE YOU EVER BEEN CONVICTED OF OR ENTERED A PLEA OF GUILTY OR NOLO CONTENDERE TO ANY CRIMINAL VIOLATION OTHER THAN A MINOR TRAFFIC OFFENSE? IF SO, PROVIDE DETAILS.
- No.
40. ARE YOU PRESENTLY OR HAVE YOU EVER BEEN A PARTY IN INTEREST IN ANY ADMINISTRATIVE AGENCY PROCEEDING OR CIVIL LIGATION? IF SO, PROVIDE DETAILS.

No.

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41. HAVE YOU BEEN INTERVIEWED OR ASKED TO SUPPLY ANY INFORMATION AS A WITNESS OR OTHERWISE IN CONNECTION WITH ANY CONGRESSIONAL INVESTIGATION, FEDERAL OR STATE AGENCY PROCEEDING, GRAND JURY INVESTIGATION, OR CRIMINAL OR CIVIL LITIGATION IN THE PAST TEN YEARS? IF SO, PROVIDE DETAILS.

1975 - Interviewed by staff members of Pike Committee investigating U.S. intelligence.  
 1980 - Interviewed by staff members of Congressional Committee investigating Billy Carter's association with Libya (regarding actions taken by others in response to a memorandum I wrote urging Zbigniew Brzezinski to prevent Mr. Carter from traveling to Libya).  
 1985 - Interviewed by FBI and Senate Judiciary Committee during Senate consideration of Stanley Sporkin to be U.S. District Court Judge.  
 1986-1991 - Interviewed by, provided depositions to, or was witness before Senate Select Committee on Intelligence, House Permanent Select Committee on Intelligence, the Tower Commission, the Joint House-Senate Iran-Contra Committee, the Independent Counsel and the Grand Jury concerning Iran-Contra.

42. HAS ANY BUSINESS OF WHICH YOU ARE OR WERE AN OFFICER, DIRECTOR OR PARTNER BEEN A PARTY TO ANY ADMINISTRATIVE AGENCY PROCEEDING OR CRIMINAL OR CIVIL LITIGATION RELEVANT TO THE POSITION TO WHICH YOU HAVE BEEN NOMINATED? IF SO, PROVIDE DETAILS. (WITH RESPECT TO A BUSINESS OF WHICH YOU ARE OR WERE AN OFFICER, YOU NEED ONLY CONSIDER PROCEEDINGS AND LITIGATION THAT OCCURRED WHILE YOU WERE AN OFFICER OF THAT BUSINESS.)

No.

#### PART F - ADDITIONAL INFORMATION

43. DESCRIBE IN YOUR OWN WORDS THE CONCEPT OF CONGRESSIONAL OVERSIGHT OF U.S. INTELLIGENCE ACTIVITIES. IN PARTICULAR, CHARACTERIZE WHAT YOU BELIEVE TO BE THE OBLIGATIONS OF THE DIRECTOR OF CENTRAL INTELLIGENCE, THE DEPUTY DIRECTOR OF CENTRAL INTELLIGENCE, AND THE INTELLIGENCE COMMITTEES OF THE CONGRESS RESPECTIVELY IN THIS PROCESS.

(See attachment)

43. Describe in your own words the concept of congressional oversight of U.S. intelligence activities. In particular, characterize what you believe to be the obligations of the Director of Central Intelligence, the Deputy Director of Central Intelligence, and the Intelligence Committees of the Congress respectively in this process.

Accountability -- with respect to adherence to the law, relevant Executive orders, guidelines, and regulations, as well as effective management and performance -- is in my judgment, the fundamental purpose of congressional review of intelligence activities.

The mechanism now in place recognizes that the Executive and Legislative Branches each have legitimate responsibilities and concerns that must be respected if the interests of the nation are to be served. At the same time, the current framework provides assurance to the public that activities which must be conducted in secrecy will be carried out lawfully, responsibly and effectively.

Because the National Security Act spells out the obligations of both the Director of Central Intelligence and the intelligence committees, I believe it is appropriate simply to cite them. By law, the Director of Central Intelligence and, implicitly, the Deputy Director of Central Intelligence, are obligated, with certain caveats,

- to keep the two intelligence committees "fully and currently informed of all intelligence activities";
- to provide advance notice to the SSCI and HPSCI regarding significant intelligence activities, such as covert action operations;
- to furnish any information or material concerning intelligence activities which is requested by either of the Committees to carry out their responsibilities.
- to report in a timely fashion to the Intelligence Committees any illegal intelligence activity or significant intelligence failure and any corrective action that has been taken or planned; and
- to notify the intelligence and the appropriations committees prior to certain funds transfers.

The Oversight Act also obligates the Intelligence Committees to establish procedures to protect from unauthorized disclosure

all classified information and all information relating to intelligence sources and methods furnished to the committees. In my view, this reflects an intent that the protection of our Nation's security must be a mutual responsibility.

I believe intelligence agencies must not only be truthful in discharging their obligations to provide information to the intelligence committees, but also candid and straightforward. They must respond promptly and forthcomingly to Committee requests and attempt whenever possible to help the members of the Committees and the staffs carry out their responsibilities.

There is broad recognition of the support the Committees have rendered the Intelligence Community with respect to resources, protection they afford against abuses, and ability to bring about improved efficiencies in the Community. While the oversight process may occasionally lead to difficulties in the gray area of overlap between Congress' authorities and the duties of the Executive, it has been the practice of both the Executive and the Congress to try to resolve those difficulties in a spirit of comity and mutual understanding. I fully support the intent of the Oversight Act to "ensure that the legitimate concerns of both branches and the Nation as a whole are respected."

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44. DEFINE IN YOUR OWN WORDS THE DUTIES OF THE POSITION TO WHICH YOU HAVE BEEN NOMINATED.

(See attached)

45. PLEASE ADVISE THE COMMITTEE OF ANY ADDITIONAL INFORMATION, FAVORABLE OR UNFAVORABLE, WHICH YOU FEEL SHOULD BE CONSIDERED IN CONNECTION WITH YOUR NOMINATION.

None.

44. Define in your own words the duties of the position to which you have been nominated.

In few words, the National Security Act of 1947, tasks the DCI to direct and coordinate the intelligence activities of the United States and to advise the National Security Council of such activities; to correlate, evaluate and disseminate within the government intelligence related to the national security; to perform services of common concern for the benefit of the existing intelligence agencies; and to perform "such other functions and duties as the National Security Council may direct."

#### Focus on the Future

Let me add to these directives my personal views and elaborate on the emphasis I intend to bring to this important aspect of the position. At this moment in history perhaps the most important challenge for the DCI is to focus on the future. He must insure that the Intelligence Community accurately projects the types of issues and problems that will confront the policymaker five to ten to even twenty years ahead and develops the investment, collection, analytical and recruitment strategies that will enable us to deal with an agenda just forming. The world so familiar to us for two generations has changed dramatically in a very short time. The next DCI must lead a fundamental reappraisal of intelligence priorities from a substantive perspective. He must also evaluate the structure of the intelligence community and its broad strategies and then plot a course for the future that best and most efficiently serves our national interest. Old attitudes also must be re-examined. A DCI cannot do this alone, but only in close collaboration with the President and senior national security officials and in close consultation with the Congress through the Intelligence Committees. But the DCI must initiate and lead the process.

#### Providing Intelligence

While planning and organizing for the future, the DCI also is responsible for providing timely, objective and relevant intelligence to the President, other policy makers in the Executive Branch, and to the Congress. I believe this requires the DCI personally to give painstaking attention to the quality of our collection and analysis and to ensure that our collection strategies and requirements process are providing the most policy-relevant field reporting possible. As the President's principal intelligence advisor, I believe the DCI has a special and personal obligation to ensure that the President receives straightforward, unvarnished intelligence regarding foreign developments and bearing on policy issues on the national agenda.

#### Supervising Covert Activities

One of the most sensitive tasks of the DCI is that of overseeing covert activities undertaken by CIA. The decision to undertake covert action is a policy decision not one for a non policy Agency such as the CIA. CIA is the instrument through which that decision is implemented. CIA cannot legally, and does

not, undertake covert action on its own and without a Presidential Finding. Once the President directs a covert action to take place, the DCI must ensure that activities flowing from it are proper and legal, that command and control is effective, that the effort is planned and managed efficiently, that no longer effective activities are identified to proper authorities and their cessation recommended, and that appropriate resources are requested to enhance the prospects of success. Finally, it is the DCI's responsibility to ensure that the intelligence committees are kept fully and currently informed about covert actions. We owe it to the policy community to ensure that congressional consideration of a decision to use covert action not be influenced negatively by our shortcomings in implementation -- either in the field or with Congress.

#### Agency Management

The DCI must take the lead in successfully managing relations with the intelligence oversight mechanisms. This includes the authorizing and appropriations committees, the President's Foreign Intelligence Advisory Board and the President's Intelligence Oversight Board. I have expressed my views regarding relations with Congress in my answer to another question. On a somewhat more philosophical note, let me say that it is an important part of any DCI's mission constantly to consider and reconcile the intelligence community's need for secrecy with the unique demands of our open democratic society and political process.

The DCI must provide effective management of both CIA and the Intelligence Community, rationalizing and harmonizing the efforts and budgets of the various components. In a period of budgetary stringency, maintaining and improving the efficiency of the intelligence community -- especially in terms of investment strategy and elimination of excessive redundancy -- demands a high level of attention from the DCI. At the same time, the DCI has the responsibility to advise the President and the Congress as to the resource needs of the Intelligence Community -- and the adequacy of those resources to meet present and future needs. The DCI has a special responsibility to "scout the future" and structure priorities and the Intelligence Community itself accordingly.

Finally, the DCI must provide leadership for the Intelligence Community. He must establish an atmosphere of cooperation and harmony. He must set a high standard for integrity, objectivity and the lawful conduct of intelligence operations. He must insist on adequate resources for the Community to do its work. He must be constructively critical and lead towards constant improvement. And he must set a positive example in the relationship with both the policy community and the Congress.

AFFIDAVIT

I, Robert Michael Gates, do swear that  
 the answers I have provided to this questionnaire are, to the best  
 of my knowledge, accurate and complete.

June 7, 1991  
 (DATE)

Robert M Gates  
 (NAME)

Subscribed and sworn to before me this 7th day of June, 1991.

Wanda Kay Little  
 (NOTARY) June 7, 1991

District of Columbia  
 My commission expires May 14, 1993



THE WHITE HOUSE  
WASHINGTON

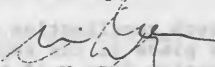
September 9, 1991

Dear Mr. Chairman:

As I discussed with members of your staff this morning, I have found a typographical error in the responses of Robert M. Gates to the Supplement To The Committee's Questionnaire Concerning The Nominee's Knowledge Of The Iran Contra Affair. The last sentence of the response to question number 22 on page 14 should read "I do not know why this particular piece of paper apparently never came to my attention prior to November 25."

I appreciate your attention to this matter. Please do not hesitate to contact me at 456-7054 should you have any questions.

Sincerely,



James W. Dyer  
Deputy Assistant to the President  
For Legislative Affairs (Senate)

The Honorable David L. Boren  
Chairman  
Senate Select Committee on Intelligence  
Room 211 Hart Senate Office Building  
Washington, D.C. 20510

SUPPLEMENT TO THE COMMITTEE'S QUESTIONNAIRE CONCERNING THE  
NOMINEE'S KNOWLEDGE OF THE IRAN-CONTRA AFFAIR

**PART I. WHAT WAS YOUR KNOWLEDGE OF THE DIVERSION AND WHAT  
ACTIONS DID YOU TAKE ON THE BASIS OF SUCH KNOWLEDGE?**

1. According to his interview by the Iran-Contra Committees, then Deputy Director for Intelligence Richard Kerr recalls that he recounted Charles Allen's diversion speculation to you in the period August-September 1986 and that you told Mr. Kerr that you wanted to be kept informed about the matter. (Iran-Contra Report, p. 273) In his deposition for the Iran-Contra Committees (pp. 542-545) Charles Allen stated that he discussed possible diversion to the contras with Mr. Kerr in the August period. In your letter to the committee of 2 March 1987, you wrote "I simply have no recollection of any conversation with Kerr regarding the kind of speculation and concern I remember first hearing from Allen on 1 October 1986."

Have you had an subsequent recollection of this discussion? Is there any other CIA official who may have information about the discussion between Mr. Kerr and Charles Allen and possibly you, or any documentary evidence reflecting such discussion?

I have had no subsequent recollection of this conversation that Mr. Kerr recalls took place in the August-September 1986 time period. I was on vacation from 1-17 August, 1986. I met with Mr. Kerr routinely, often many times a day, to discuss a variety of issues, but I have no recollection that this particular discussion took place. To my knowledge, there is no other CIA official, other than Mr. Kerr or Mr. Allen, who may have information concerning whether this discussion took place. There is no documentary evidence, of which I am aware, relating to whether this discussion occurred and the circumstances of any such discussion that may have taken place.

2. Allen stated in his Iran-Contra deposition that in March 1986 he saw a memorandum by CIA operations officer George Cave on a meeting where the Iranian intermediary, Ghorbanifar, proposed diversion of profits to Nicaragua. (p. 641)
  - a. Did Allen mention this memorandum or Ghorbanifar's proposal to you on October 1?

I believe Mr. Allen did not mention this memorandum or Ghorbanifar's proposal to me at our meeting on October 1, 1986.

- b. Did you learn of this memorandum or Ghorbanifar's proposal at any other time before November 25, 1986?

I did not learn of this memorandum or Ghorbanifar's proposal at any other time prior to November 25, 1986.

- 3. A North notebook entry for 8 September 1986 reflects a call at 1500 from "Charlie" with the following references: "Casey to call JWP," "Gates supportive," "K calls to Geo - 4 times Sat, 2 times today."

What is your explanation for this entry?

I have not reviewed LTC North's notebooks and I do not know the meaning of the entry.

- 4. On September 9, 1986, Allen discussed with North the need to raise "a minimum of \$4 million" to resolve Ghorbanifar's financial problems and North said it might have to be taken "out of the reserve." Allen prepared a memorandum to Director Casey reporting this September 9 discussion with North (Allen Exhibit 68). Allen stated in his Iran-Contra deposition (at p. 803) that he sent a copy of this memo "to Gates and Mr. Casey."

- a. Did you receive this memorandum? If so, what was your response?

I have no recollection of receiving or reading this memorandum at the time. Therefore, I made no response to it.

- b. Did you subsequently connect it with Allen's discussion with you on October 1?

Because I do not recall reading this memorandum, I would have no way of connecting it with Mr. Allen's discussion with me on October 1, 1986.

- 5. A North notebook entry for 30 September 1986 refers to a "1300 mtg w/Mike L." followed by "Call Charlie Re letter to Gates." What is your explanation for this entry?

I have not reviewed LTC North's notebooks, and I do not know the meaning of the entry.

- 6. You stated at the 1987 DCI confirmation hearings that Charles Allen's statements to you on October 1, 1986, regarding a possible diversion were based on "indications from intelligence information that there had been some

overcharging and perhaps some cheating" which you "did not consider particularly unusual in an international arms deal" and on the involvement of "the same private individuals" in both the Iranian affair and the private funding for the contras. (pp. 75-76; see also pp. 87-88, 162) In your testimony to the SSCI on December 4, 1986, you also stated that Allen's concern was based on what he was "reading about in the intelligence." (p. 109) You made a similar statement to the Tower Board (p. 17) and in your deposition for the Iran-Contra Committees. (pp. 8-15)

- a. Was your knowledge of this reporting based solely on Allen's description, or did you see the intelligence reporting on price discrepancies upon which Allen's description was based?

My understanding of the meaning of this reporting was based on Mr. Allen's description of the intelligence that he received. I therefore relied on Mr. Allen, as an analyst, to describe and synthesize the raw data. While I received a number of sensitive intelligence reports on the Iran affair, they came irregularly over a period of months, and I did not keep them to review or examine as a body. I scanned them very quickly and often did not look at them at all. The individual reports were often confusing and, as Allen has testified, "unless you understand the codes you couldn't determine what was occurring." In sum, what I knew and understood of the reporting was due solely to Allen's description.

- b. At his meeting with you on October 1, what other information besides intelligence reporting did Allen mention as an indication of overcharging or cheating?

As I recall, Allen mentioned no source other than the raw intelligence reporting described in 6 a. above as an indication of overcharging and cheating at the meeting I had with him on October 1, 1986.

7. Did Allen mention to you on or before October 1, or did you learn at any other time before November 25, 1986, that in August 1986 Allen received a "frantic call" from the Iranian intermediary, Ghorbanifar, who expressed concern about overpricing and his resultant financial problems, and that Allen called North to report what Ghorbanifar said? (see Allen Iran-Contra deposition, pp. 676, 689-691)

I believe Mr. Allen did not mention to me on October 1, 1986, nor did I learn at any other time before November 25, 1986, that in August 1986 Mr. Allen received a "frantic call" from Ghorbanifar. I also had no knowledge before November 25, 1986 that Mr. Allen called LTC North to report this information.

8. Allen stated in his Iran-Contra deposition that Oliver North insisted that CIA operations officer George Cave defend as legitimate the prices charged to the Iranians, that in August North proposed printing up a new price list to justify those prices, and that Allen and Cave were very concerned about this proposal. (pp. 671-675, 773-779) Did Allen inform you on or before October 1, or did you learn at any other time before November 25, 1986, that North may have done this?

I believe that Mr. Allen did not inform me on or before October 1, 1986 that in August of that year LTC North proposed printing a new price list to justify the prices charged to the Iranians for certain military equipment. Further, I had no contemporaneous independent knowledge of LTC North's request to Mr. Cave at any other time before November 25, 1986.

9. In his deposition for the Iran-Contra committees, Allen stated that he believed by the end of August, 1986 that it was "the NSC" that had put a price on the arms with the intermediaries and that "there must have been a very heavy price charged by the NSC to the financiers." (pp. 676-677) Did Allen inform you on or before October 1, or did you learn at any other time before November 25, 1986, that the "NSC" may have done this?

I believe that Mr. Allen did not mention the NSC in this connection at our meeting on October 1, 1986, and I had no information to this effect until after November 25, 1986.

10. Charles Allen stated in his Iran-Contra deposition that, when told by Allen on October 1, 1986 about the possible diversion, you said "that in the past [you] had admired Colonel North because of his work in crisis management and things of this nature, but that this was going too far, and asked that [Allen] see the Director." (p. 588) Allen also stated in the same deposition that, when Allen discussed the possible diversion with you and Director Casey on October 7, you "talked about [your] admiration for Colonel North as a man who gets things done, but that this was going too far, if this was true." (p. 594) Do you recall making these remarks?

I do not recall making these remarks about LTC North. I am aware, however, that Mr. Allen has stated that he remembers my having done so. Although I have been reminded of Mr. Allen's recollections in the Committee's interrogatories, I have no recollection of making these statements.

11. You stated in your Iran-Contra deposition that Charles Allen made "no reference in any of his discussions" to anyone in the United States Government being involved in activity

related to a possible diversion. You stated that you did not ask North about the diversion at your lunch with him and Director Casey on October 9, 1986 "because there was no suspicion at that point even by Allen that he or anybody else at the NSC was in any way associated with that speculation" about a possible diversion. (p. 13) You made a similar statement to the Tower Board (pp. 17-18) How do you reconcile these statements with the above remarks about North "going too far" cited in Allen's deposition?

As I stated in response to interrogatory number 10 above, I do not recall making these statements about LTC North to Mr. Allen or anyone else prior to November 25, 1986. I did not, therefore, question LTC North about the diversion at the October 9, 1986 lunch because, as I have previously stated, I was unaware of any suspicion at that point that LTC North or anybody else at the NSC was in any way associated with Mr. Allen's speculation about a possible diversion of funds paid by the Iranians to support the Contras. I was not aware of any evidence at any time during this period of involvement in such a diversion by CIA, NSC or U.S. Government officials, nor was any concern expressed to me about a violation of law. I regarded the information he gave me as worrisome, but extraordinarily flimsy.

12. A North notebook entry for 1 October 1986 refers to a "1230 Call from Clarridge" with a subsequent apparent reference "Gorba: Divert onto other enterprise."

I have not reviewed LTC North's notebooks, and I do not know the meaning of the entry. Although I have no context from which to comment intelligently on its intent or purpose, I will try to respond to the questions posed.

- a. Is there any connection between this entry and Charles Allen's meeting with you on 1 October where Allen discussed a possible diversion?

I do not know if there is any connection between this entry and Charles Allen's meeting with me on October 1, 1986.

- b. Did you discuss this matter with Dewey Clarridge on October 1?

Assuming that "this matter" means Mr. Allen's speculation about a diversion of funds paid by the Iranians to support the Contras, I do not recall discussing this matter with Mr. Clarridge on October 1, 1986, and believe I did not. I have reviewed my phone log and calendar for that day, and Mr. Clarridge's name does not appear on either document.

- c. Do you know whether Charles Allen or any other CIA employee discussed this matter with Dewey Clarridge on October 1?

I do not know whether Mr. Allen or any other CIA employee discussed this matter with Mr. Clarridge on October 1, 1986.

- d. What time of the day was your October 1 meeting with Allen?

According to my calendar, my meeting with Mr. Allen was scheduled for 5:00 p.m. on October 1, 1986.

13. A CIA Memorandum for the Record dated 3 October 1986 and initialed by you reflects that you met with Admiral Poindexter on Thursday, 2 October 1986. It states: "There was discussion of a special Iranian project. Have Tom Twetten and Charlie Allen call me."

- a. In your letter to the Committee of 2 March 1987, you stated that you "have no recollection of the specifics of this discussion, but I do not believe I raised the concerns Allen expressed to me the previous day because the DCI had not yet been briefed by Allen as I had directed him to do." Can you recall, however, why you wanted Twetten and Allen to call you?

I do not recall why I wanted Mr. Twetten and Mr. Allen to call me. It may have been related to LTC North's trip to Frankfurt, which was made in connection with the Iranian initiative.

- b. What did you subsequently convey to Tom Twetten or Charlie Allen?

I do not remember what I conveyed to Mr. Twetten or Mr. Allen.

- c. On this or any other occasion prior to November 25, 198[5] sic, did you discuss with Tom Twetten any of the matters that Allen discussed with you on 1 October? If so, please explain.

I do not recall doing so.

14. You and Director Casey had lunch with LTC North on October 9, 1986, eight days after Charles Allen raised his concern with you that proceeds from the arms sales may have been diverted to the contras, and two days after he reiterated it to you and the Director. You have testified that at the end of that lunch, as you were about to leave the table, LTC North made a "cryptic remark" concerning "Swiss bank accounts and the contras."

- a. Can you explain why this remark would not trigger your recollection of Allen's concern expressed two days before?

I did not make a connection between Mr. Allen's concerns of October 1 and LTC North's cryptic remark about Swiss accounts and the Contras made at the end of the October 9 lunch for a number of reasons. First, to the best of my recollection, Mr. Allen never mentioned to me or speculated that anyone in the U.S. Government, including the CIA, NSC or the White House, was involved in the possible diversion of funds paid by the Iranians to support the Contras. Mr. Allen's chief concern was operational security. Second, as the lunch was breaking up, LTC North made this comment at the end of a conversation dealing with the shoot down of the Hasenfus plane in Nicaragua -- not in connection with the Iran project. I was uneasy about the remark, however, and went back into Mr. Casey's office after lunch to see if he had understood what LTC North had been saying and if we should be concerned by it. He had not heard or picked up on the remark at all. He seemed unconcerned, and so I did not pursue it further. Third, I joined the previously arranged Casey-North luncheon because of Mr. Hasenfus' claims made in the media that morning that he had worked with "CIA people." My focus was on this issue and a meeting Mr. Casey and I were to have with the leadership of the Intelligence Committees that same afternoon on Mr. Hasenfus' assertions.

- b. The Iran-Contra hearings disclosed that, during this same period, North had made arrangements for a third-country donation to the contras through a Swiss bank account. In light of this disclosure and the context of your luncheon discussion, do you believe North may have been referring to this third-country donation?

I did not know whether LTC North was referring to this third-country donation when he made the statement about Swiss accounts and the Contras.

- c. Were you aware on 9 October 1986 that U.S. officials had solicited donations to the contras from this or any other country?

I had heard rumors of donations to the Contras by other countries, including having seen media accounts, but, to the best of my recollection, I was unaware that the U.S. Government was soliciting such donations at that time. I recall that I believed on October 9, 1986 that LTC North was facilitating contact between potential private donors in this country and the Contra leadership.



15. At his trial, LTC North gave the following testimony concerning his October 9, 1986 luncheon with you and Director Casey:

"NORTH:...When I got back Director Casey, if I remember correctly, called me out to lunch at the CIA and at that luncheon we discussed the Hasenfus aircraft shootdown and after -- as I remember, afterwards he told me that -- Mr. Furmark was the man's name, who was describing these, he's an old friend of Director Casey, had told Director Casey that he or his friend knew that there was a connection between the Iranian initiative and aid to the Nicaraguan Resistance and my recollection is that he told me at that point to start cleaning things up, to get rid of things that weren't necessary because he and I both realized that revelation which eventually occurred in November would mean all of these operations would become in doubt.

Q: Did anybody besides the late Director Casey and you attend that lunch?

NORTH: My recollection is that Mr. Gates was there for at least part of it. I don't recall whether he actually sat there for lunch or not but I do recall Mr. Gates being at least in and out...

Q: Do you recall Deputy Director of the CIA Gates being present when Mr. Casey told you to clean up the operation?

NORTH: I don't recall whether he was there or not. I truly don't. I just -- I know that he was there for at least part of, maybe all of, the lunch and may well have come and gone. I don't -- I really don't recall that...

Q: ...What did Director Casey tell you he meant by 'clean things up'?

NORTH: Well, he specifically told me to get the airplanes out of the countries where there were prepositioned in Central America that we had been using for the resupply effort for those many months and get the pilots out, get all of that cleaned up specifically because I believe this is right on the next day or two after the shootdown of the resupply aircraft.

Q: ...Did he say anything else that you should do in order to clean up this operation?

NORTH: ...There were a lot of things we talked about but the two things that stick in my mind were the business about the aircraft and the operation which we had been

running in Central America and the business about Mr. Furmark having told him that there was a connection between the Iranian operation and the aid to the resistance that was about to be revealed.

Q: Was Mr. Gates present when Mr. Casey told you about Mr. Furmark's conversation with him?

NORTH: I do not recall whether he was there or not.

Q: [Referring to an earlier statement by the witness] ...When you say Director Casey was of course aware of that, you mean the use of Iranian arms sales money for the contras?

NORTH: Yes, sir.

Q: Is that something you had told him?

NORTH: ...It would have been back in probably January or very early February of 1986 before the first transaction of that kind actually occurred.

Q: Had you told that same thing to Deputy Director of the Central Intelligence Agency Gates, that Iranian arms sales money was being used for the contras?

NORTH: I do not specifically recall telling Mr. Gates that at any point, at any time in the whole process up through the end of the operation.

Q: Did Gates -- was Gates -- Deputy Director Gates present when Director Casey said that his friend Furmark had said something about a connection between the Iranian operation and the contras?

NORTH: I truly don't recall whether he was there for that...I don't remember." (transcript, testimony of Oliver L. North, April 12, 1989, Docket No. CR 88-80, United States District Court for the District of Columbia, pp. 7553-7556)

Were you present during any of the conversations between LTC North and Director Casey which LTC North has testified took place during the course of the luncheon at CIA on October 9, 1986? If so, what do you recall about these conversations?

I would like to point out that LTC North's trial testimony as reported here regarding the substance of Mr. Casey's October 7 telephone discussion with Mr. Furmark is fundamentally different from what Mr. Casey told me and stated in his memorandum for the record about this conversation. Mr. Casey did not tell me that Mr. Furmark "knew that there was a connection between the Iranian

initiative and aid to the Nicaraguan resistance." In fact, Mr. Casey did not mention anything about a diversion when he told me about his conversation with Mr. Furmark. Mr. Casey's memorandum regarding his meeting with Mr. Furmark makes no mention of a diversion of funds. Further, to the best of my recollection, LTC North never told me that Iranian arms sales money was being used for the Contras.

During the lunch, LTC North briefed Mr. Casey on his recent meetings in Frankfurt with Iranians representing a new channel to senior officials in Tehran. Three subjects were discussed in my presence: 1) the recent meeting with the Iranians; 2) the security of the project; and 3) the downing of the private benefactor supply plane in Nicaragua and the capture of Eugene Hasenfus.

Citing his conversation with Mr. Furmark, Mr. Casey expressed his concerns about the operational security of the Iran project, and there was, as I recall, considerable discussion about the change of Iranian channels and the unhappiness of private investors associated with the first channel. I believe Mr. Casey told LTC North he should get this straightened out. In this connection, Mr. Casey did not say, in my presence, anything about getting "airplanes out of countries where they were prepositioned in Central America." I told Mr. Casey, in LTC North's presence, that he should insist on getting a copy of the January 17 Finding, and LTC North said he would try to arrange it.

The conversation, as I recall it, then turned to the Hasenfus shoot down, which was the primary reason I was interested in meeting with LTC North. The morning of October 9, Mr. Hasenfus said at a press conference that he believed he worked with people that he thought were CIA employees. There was a furor in the press and in the Congress about this, and there were many allegations and questions concerning CIA involvement. Mr. Casey and I were to brief the leadership of the two Intelligence Committees on this issue that afternoon. While we had assurances from our people that CIA was not involved, I asked LTC North, as a cross-check, if there were any CIA involvement, direct or indirect, in the private funding effort on behalf of the Contras. He told us that the CIA was "completely clean" of any contact with those organizing and funding the operation. Because of the allegations in the press of CIA wrongdoing with respect to the Contras, I made a record of LTC North's comments concerning the absence of Agency involvement.

I left Mr. Casey's office before LTC North, and do not know what may have been discussed after my departure.

16. In a memo transmitted to you and to the DCI, dated 14 October 1986, Allen discussed the likelihood that Ghorbanifar would publicly state that "the Government of the

United States, along with the Government of Israel, acquired a substantial profit from these transactions, some of which profit was redistributed to other projects of the US and of Israel." (Allen Exhibit 76) You stated in your Iran-Contra deposition that you "interpreted it" to mean that Allen "became less certain about what was going on or about his speculation here and therefore couched it in more general terms," but that you "did not ask him." (p. 978) Please explain why you did not seek clarification from Allen.

At the time, there did not seem to be a reason to ask Mr. Allen for further clarification. It is important to keep in mind that the reference cited above was one sentence out of a seven page single spaced memorandum. Mr. Allen had been tentative about his suspicions in our discussion on October 1. While Mr. Allen's concerns about problems with the Iran initiative and operational security were spelled out in great detail in his memorandum of October 14, I interpreted his memorandum's much more vague formulation concerning a possible diversion and his attribution of that to what Ghorbanifar might say if he went public as indicating that Mr. Allen had become even more uncertain about what he had described on 1 October as "sheer speculation."

17. In an Iran-Contra committee deposition, then CIA General Counsel David Doherty stated that in his meeting with you on October 15, 1986, you discussed Allen's speculation about a diversion "to provide assistance to the rebels in Central America," and that you "mentioned speculation on contributions from other countries as well." You have testified that you recall advising the General Counsel concerning Allen's speculation about a diversion. (SSCI, 2/87, p. 40) Do you recall making the additional statement to Doherty about contributions from other countries?

No, I do not recall making the additional statement to Mr. Doherty about contributions from other countries.

18. Where specifically did you travel on your "tour of the Middle East" from October 17-30, and for what purpose? Did you have any communications with anyone at CIA HQs on the subject of the diversion during your travel? with any other person during the course of your travel?

I have included my itinerary for this trip in a classified annex. I had no communications with anyone at CIA Headquarters or any other person on the subject of the diversion during the course of my travel.

19. You have testified that sometime after you returned from the trip on October 30, 1986, you met with the General Counsel Dave Doherty who assured you orally that the Agency was

"clean" and that you had taken the appropriate action in bringing the matter to the attention of Admiral Poindexter. You have also testified you were unaware of what the General Counsel did to arrive at these conclusions. (SSCI, 12/4/86, as reprinted in SSCI, 2/87, p. 110) Doherty has testified that, in fact, he did no investigation at all to arrive at these conclusions, nor did he understand that you had asked him to undertake such an investigation. (SSCI, 12/18/86, p. 53) He simply reacted to your description of the facts. Were you aware that the General Counsel had done nothing at all to carry out your instructions? Why did you not inquire as to the basis for his conclusions?

As I stated in earlier testimony, I told our General Counsel to review the Iran project to ensure that the CIA was not involved in anything illegal. I do not think it is accurate to say the General Counsel did "nothing at all" to carry out my instructions. While Mr. Doherty did testify in his deposition that he did not undertake a factual review of the situation because of the compartmentation of an ongoing operation, he did provide legal analysis and advice based on the facts that I provided to him prior to my trip on October 17. I followed Mr. Doherty's advice that we should get all the information we had to Admiral Poindexter and recommend to him that the White House Counsel review the project to ensure that it was proper. Had Mr. Doherty recommended that we go to the Attorney General, or take another course of action, I would have given his advice great weight and strongly endorsed that recommendation to Mr. Casey. I requested Mr. Doherty's legal analysis out of an abundance of caution to affirm CIA compliance with the law, and I followed his advice about appropriate steps to take with the information available to me at the time.

20. In an answer to questions for the record submitted to the House Committee on 12/23/86, you stated, "At the time of the October 17 meeting between Charles Allen and Roy Furmark, I was on my way to the Middle East. I returned from the Middle East on 30 October and learned at some point soon thereafter the general information that had been obtained from Mr. Furmark in the meetings of 17 and 22 October. In fact, I was confused about precisely what was reported in which meeting until preparations were undertaken for Congressional testimony within the last two weeks. I knew only that Furmark had reported in some detail the unhappiness of Canadian investors and that he had reported that Ghorbanifar had expressed the belief that some of the Iranian money was going to Central America." How do you reconcile the last statement with your testimony that you did not learn anything more about the diversion between your meeting with Charles Allen on October 1 and the Attorney General's announcement November 25?

When I testified before the Senate Intelligence Committee on December 4, 1986, I said that I recalled the Furmark-Allen meeting in New York only because I had read about it in a chronology during the day or two prior to my testimony. I do not recall ever seeing the memorandum for the record of the meeting on October 17 or of being advised before November 25 of Mr. Furmark's report of Ghorbanifar's belief that some Iranian money had gone to Central America. As I have testified elsewhere, I do not recall having received any indication of a diversion other than what Mr. Allen speculated to me on October 1 and the general reference in his memorandum of October 14 to the possibility that Ghorbanifar might allege that profits from the transactions with Iran had been redistributed to other projects.

In testimony before the House Intelligence Committee on December 10th I described what information was available to some people at CIA -- though in this case not presented to me -- during that period. By early December I had learned of the existence of Mr. Furmark's comments to Mr. Allen in October about Ghorbanifar's concerns.

I was unclear myself during this period about what Mr. Furmark had said and when he said it. In my SSCI testimony of 4 December, I unknowingly incorrectly characterized the Casey-Furmark conversation of October 7. I corrected the record. I made the same error in talking to the House Committee staff, and corrected that in my testimony of 10 December. I never met Mr. Furmark, never talked to him, and what I later learned was second- or third-hand. Indeed, as the 23 December 1986 response to the House question accurately states, "I was confused about precisely what was reported in which meeting until preparations were undertaken for Congressional testimony within the last two weeks."

To my knowledge, Mr. Furmark's contact with Mr. Casey on October 7 was unrelated to speculation of a diversion. The significance of the conversation was twofold: (1) the fact that private investors, some of whom were foreigners, were financing and appeared to know a considerable amount about a highly sensitive government covert activity and (2) the possibility that the unhappiness of the private investors might become an operational security problem should they go public with the fact of the arms for-hostages exchange.

21. According to Doherty's testimony before the SSCI and in his interview with the Iran-Contra committees, a meeting was held in your office in early November when he was permitted to read the January 17, 1986 Finding (which had only recently been given CIA) for the first time. Attending the meeting were Clair George and Tom Twetten. What do you recall about this meeting?

According to my calendar, I was scheduled to meet with Dave Doherty, Tom Twetten and Clair George at 10:00 a.m. on November 12, 1986. My calendar indicates that the topic of the meeting was to be "Iran." I do not recall anything about the meeting.

22. In a memorandum addressed to the DCI and to you, dated 7 November 1986 (Allen Exhibit 84), Allen recounted a meeting with Roy Furmark in which he discussed the belief of the Canadian investors "that they have been swindled and that the money paid by Iran for the arms may have been siphoned off to support the Contras in Nicaragua." Did you receive this memorandum or learn of its substance prior to November 25, 1986? If so, what do you recall having done about it? If not, what is your explanation for not receiving this memorandum which was addressed to you?

I do not recall seeing the Allen memorandum of 7 November 1986 or learning of its substance prior to November 25, 1986. CIA has located the copy of the memorandum that went to my office, but I have never recalled reading it prior to November, 25. I do not know why this particular piece of paper apparently came to my attention prior to November 25.

23. A CIA chronology dated 21 November, 1986 makes no reference to Allen's meeting with you on 1 October and a subsequent discussion of a possible diversion. Another CIA chronology prepared in December includes those references. In his deposition to the Iran-Contra committees (p. 862-869) Allen explains this difference in terms of his being only a participant in drafting the earlier chronology, while he took the lead in drafting the later chronology. Can you shed any additional light on why the earlier chronology had failed to mention the October 1st discussion with Allen?

I did not personally prepare any CIA chronologies. I directed that chronologies be prepared to bring together all the facts about CIA's involvement and help frame the testimony Mr. Casey was going to give. I do not know why one version of the chronology mentioned the October 1 discussion with Mr. Allen and another did not.

24. According to your letter of 2 March 1987 to the Committee, the Attorney General advised Director Casey on the evening of November 24, the evening prior to his public announcement confirming the diversion of funds, that he had found the North memo suggesting a diversion had taken place. When was this information also given to you? In your March 2, 1987 letter to the Committee you state that "no evidence remotely resembling the North memo ever came to my attention, or, to the best of my knowledge, to the attention of any other CIA officer." By this statement, do you mean that no

information, written or verbal, providing reliable confirmation of the diversion ever came to your attention?

I did not learn that the Attorney General had found the North memo referred to until the Attorney General's announcement on November 25, 1986.

I was in San Francisco on official business from November 23-26, 1986. I believe that documents reflecting my travel during the past ten years have been provided to the Committee under separate cover. If not, I will be happy to provide them. I learned of the Attorney General's findings at the same time as the general public. I think my letter speaks for itself, but I will attempt to rephrase what I meant by the statement "no evidence remotely resembling the North memo ever came to my attention, or, to the best of my knowledge, to the attention of any other CIA officer." By this statement I meant that no evidence comparable to LTC North's memo--that is, first hand knowledge of a U.S. official who knows or has access to sufficient relevant facts--ever came to my attention.

25. According to Oliver North's schedule, you were to meet with him and a group of other officials on Iran at 11:00 a.m. on Tuesday, November 25, 1986, shortly before the Attorney General's press conference announcing the diversion. Did that meeting take place? If so, what occurred at the meeting? If not, can you recall what the purpose of the meeting was to have been?

I was not a participant in any such meeting and I do not know whether this meeting took place. If it did, I did not attend: as I stated in response to interrogatory number 24 above, I was in San Francisco at the time. I cannot explain my name being on LTC North's calendar inasmuch as my trip was a long-planned one.

**PART II. WHAT WAS YOUR ROLE IN PREPARING DIRECTOR CASEY'S TESTIMONY OF NOVEMBER 21, 1986. DID YOU VIEW IT THEN, OR DO YOU VIEW IT NOW, AS MISLEADING?**

1. In your letter of 2 March 1987 to the Committee addressing particular allegations, you state that you prepared a note for the DCI to send to Admiral Poindexter on November 12, 1986, in response to a request from the House intelligence committee for a briefing. In the note you say you "urged that CIA not appear unless we could brief on the finding and CIA's full operational role." (Although you note that the Committee received a copy of this note, it could not be located. Please provide a copy.) How did Admiral Poindexter respond to your request?



As I recall, Admiral Poindexter orally approved the request to brief the Committee on the Finding and the CIA's full operational role.

2. Director Casey left the country on November 17, 1986 asking you to take charge of preparing his testimony for November 21 on the CIA's involvement in the Iran arms sales. Where did Director Casey go, and why did he choose this critical juncture to take an overseas trip? What communications did you have with him during his trip?

Mr. Casey was travelling on a previously scheduled trip to several countries in Central America. It would have been better for Mr. Casey not to be out of the country at this time. I believe I called Mr. Casey once while he was away to suggest that he should return sooner than he had planned. As it turned out, apparently Admiral Poindexter had called him earlier to request that Mr. Casey return to the U.S. on November 19.

3. You have previously testified that you gave instructions that the Casey testimony be confined to the role of the Agency, and that the statement not attempt to defend Administration policy on this. (SSCI, 12/4/86, p. 108) Can you recall why you gave this instruction? Did it stem from your own misgivings about the policy (see SSCI, 2/87, p. 182) or what may have occurred in this operation that you did not know about, e.g. the speculation involving an illegal diversion of funds?

My instructions that Mr. Casey's testimony be confined to the role of the CIA and not attempt to defend Administration policy resulted from an effort to focus the written testimony to Congress on the facts as best we knew them at the time. I thought, at the time, that by putting the facts on the table candidly and thoroughly at the outset, we could avoid a crisis of confidence with the Congress and a long, drawn out investigation. The reason I did not want Mr. Casey's testimony to be a defense of administration policy was that I thought it would be inappropriate for him to defend the policy because formulation and defense of policy is not CIA's job. I thought it preferable to have the written testimony focus on the facts concerning the CIA role and have Mr. Casey reserve any discussion of the policy concerns for the question and answer session following the prepared testimony.

4. Despite all that had transpired prior to the Director's testimony (see Part I above) with respect to speculation over a possible diversion, despite the number of CIA employees involved in the preparation of the testimony who were aware of this speculation, and despite your own apparent concern over such diversion, the Director's testimony made no mention of the possibility. You have

testified on several occasions that, in essence, you had only one person's speculation which was too insubstantial to warrant inclusion.

- a. In your letter to the Committee of 2 March 1987, you acknowledged that while they made no written input to Director Casey's testimony, four CIA officers (Allen, Twetten, Cave, Clarridge) were involved in oral discussions involving the testimony. At least two of them (Allen and Cave) were aware of the speculation concerning the diversion. Are you aware whether Twetten and Clarridge also had knowledge of the speculation prior to November 21, 1986? If so, please explain.

I do not know now, and I did not know then whether Mr. Clarridge or Mr. Twetten knew of the speculation of the diversion prior to November 21, 1986.

- b. Relatedly, David Doherty had awareness and also participated in the development of the testimony. Yet none of the three (Doherty, Allen, Cave), apparently, suggested that such speculation be included in the Director's statement? How do you explain this?

As the testimony was in the process of being prepared, there were meetings with many people discussing the details of the Iran initiative and who knew what pieces of information. I do not recall, however, any discussion about Mr. Allen's speculation of October 1 or its inclusion in the testimony. As Interrogatory number 5 below points out, Mr. Doherty and Mr. George recall an instance during one of the meetings in which I asked Mr. Casey whether he had any knowledge of a diversion, or words to that effect. The focus of the meetings, as I recall, was on the facts of CIA's role.

5. Clair George and General Counsel Doherty remember an exchange that occurred during a meeting at CIA Headquarters on 20 November, 1986 to prepare the Director's testimony for the next day. According to the description in your Iran-Contra deposition, you turned to Casey and asked if he had any knowledge of any kind of diversion, or words to that effect. Doherty is said to have spoken up to say there has been some speculation to that effect. And Casey is reported to have said words to the effect, no, I don't know anything about that. You stated in your Iran-Contra deposition that you do not remember this exchange, but that "because two of the 15 or 16 people on the room recall the same thing, it is probably worth putting on the record." (pp. 1019-1020)

Do you have any further recollection of this episode?

I still do not recall this episode.

6. You have testified that when it came to preparing the Casey testimony regarding the November, 1985 flight, there was much uncertainty in terms of what CIA's role had been and what its knowledge had been. (SSCI, 2/87, p. 148) In particular, you have testified that you were concerned about North's suggestion that the Casey testimony say the request for assistance came from the Israelis rather than from himself. You insisted this be changed and you have testified the White House acquiesced. (Iran-Contra dep., pp. 50-51) But in Casey's prepared testimony, the fact that the request for assistance came from North is not mentioned at all. Why was this omitted, particularly after your effort to correct the statement that had been suggested by North?

In the last draft of Mr. Casey's testimony that I saw (1200, 20 November), the text specifically stated that "In late November 1985, the NSC asked our officers to recommend a charter airline..." I do not know when or why this reference was subsequently deleted from Mr. Casey's testimony. While the last draft of the testimony I saw contained many more operational details concerning the role of individuals and the NSC, the final draft had many more details concerning the weapons involved in the airline shipment. The CIA is trying to locate a complete copy of the 1200, 20 November draft.

7. You have also testified that a key focus of the debate surrounding the preparation of Casey's testimony was whether anyone in CIA or the U.S. Government knew that the November 1985 flight had carried missiles. (Iran-Contra dep., p. 55) You testified that Casey had stricken the reference in the early draft of his statement that "no one in the U.S. Government" knew what the planes were carrying. (Iran-Contra dep., p. 53) But in terms of CIA's knowledge, you have testified that the facts were not clear at the time. (Iran-Contra dep., p. 55)

Rather than acknowledge the conflict within CIA or State that some CIA employees believed the November, 1985 flight was carrying missiles, however, Director Casey's prepared statement provided only that CIA had been asked to "transport bulky cargo to an unspecified location in the Middle East," and..."[w]hen the plane got to Tel Aviv, the pilots were told the cargo was spare parts for the oil field and it was to go to Tabriz." Thus, the statement itself avoided any reference to awareness by anyone at CIA headquarters whether the airplane was carrying either oil drilling equipment or HAWK missiles. When Senator Leahy subsequently asked Casey during the questioning about CIA's knowledge that the plane was carrying 18 HAWK missiles, he

repeated that "the people on the airplane were told that they were oil field parts," but said that he wanted to look into it further. (See Report of Iran-Contra committees, p. 303)

- a. Accepting your testimony that CIA was unsure of the facts surrounding the November, 1985 flight, do you continue to regard Casey's testimony on this point as "a fair statement of what we knew at the time," as you previously described it (SSCI, 2/87, p. 145)?

In the days leading up to Mr. Casey's November 21 testimony, there was growing uncertainty in CIA about who in the Agency had known what was on the plane at the time the November 1985 flight had taken place. The afternoon of November 19, 1986, General Counsel Doherty came to me saying he had heard that the pilot of the proprietary airplane, perhaps the Chief of Station in a European country and others might have known contemporaneously what was on the aircraft. Because of this uncertainty and the need to obtain additional information, we decided to delete any reference to exactly who knew what about the flight because of the likelihood of getting it wrong.

Further, subsequent to my earlier testimonies, I have been told by one of the drafters of the testimony that the sentence "No one in the U.S. Government" knew what the planes were carrying was never in the draft testimony. I believe this language appeared only as a result of Mr. Casey writing it on a copy of a draft chronology that we carried with us to the White House on November 20, after LTC North or Admiral Poindexter made a statement to that effect at that meeting. I believe Mr. Casey's handwritten note was not included in any formal chronology or any draft of his statement.

Accordingly, given the uncertainty and confusion on this point by November 19-20, I believe it was reasonable to wait to address this issue until the CIA had a clearer idea of the facts. It was this issue in particular that prompted the inclusion of the statement toward the end of the testimony that we were still combing our records and would promptly report any new information that came to light.

- b. According to the Iran-Contra committee interview with David Doherty as part of preparing for the testimony of Director Casey, he had called former CIA General Counsel Stanley Sporkin concerning the cargo aboard the November, 1985 flight, and Sporkin confirmed the plane carried missiles. Were you aware of this confirmation? Why would Sporkin's recollections not have been reflected in the statement?

No, I was not aware of Mr. Doherty's conversation with Mr. Sporkin. I do not know why Mr. Sporkin's recollections were not reflected in Mr. Casey's statement. The record is not clear whether Mr. Sporkin was referring to what was known at the time of the flight or within a few days thereafter because Mr. Sporkin was not advised of the flight until after the flight occurred.

8. In your testimony about the planning meeting that occurred at CIA on November 17, 1986, you said you gave instructions that John McMahon and Ed Juniewicz, the former Deputy Director and Assistant Deputy Director for Operations, respectively, be contacted to obtain their recollections of the early period. (Iran-Contra dep., p. 49) Both had personal knowledge of the November, 1985 flight. Do you know whether their contributions were actually solicited for purposes of preparing the testimony as you directed?

I did not know at the time but I have subsequently learned that John McMahon and Ed Juchniewicz were contacted regarding their knowledge of the November 1985 flight.

9. Notably, the Casey statement makes no mention of the December 5, 1985 Finding requested by McMahon, drafted by Sporkin with the help of three CIA lawyers (Bernie Makowka, George Clark, and Ed Dietel) who were still on the General Counsel staff, which retroactively authorized the assistance CIA provided, and expressly authorized the provision of "certain foreign materiel and munitions" for "American hostages".

You have testified that you attended a meeting in John McMahon's office on December 5, 1985 where a DO officer confirmed that a Finding had been signed authorizing the Agency's earlier activity. (SSCI, 2/87, p. 12, 148) The DO officer who made this statement also was still a CIA employee. Relatedly, Director Casey had sent you a memo regarding preparation of his testimony, dated November 16, 1986, before he left town, asking you, among other things, to check with Stan Sporkin, the former General Counsel, about his recollections of this matter. (See Gates Exhibit 3, in Iran-Contra dep., p. 1058) Sporkin had prepared the December 5, 1985 Finding.

You have explained the omission of the 1985 Finding essentially as an oversight by those who were busy putting the facts together. (SSCI, 2/87, p. 148) But can you shed any further light on why none of the recollections of persons who were very familiar with the 1985 Finding, some of whom were still employees of CIA, was not brought to bear on the testimony?

As I have testified before, in November 1986 I had no independent recollection of the December 5, 1985 meeting until Mr. McMahon's assistant reconstructed her notes from that time. She did not do that until November 28, 1986, a week after Mr. Casey testified. Thus, I had no recollection of the effort to get a finding in December 1985 at the time the testimony was being prepared. I do not know why others did not speak up and urge inclusion, except for possible uncertainty in November 1986 as to whether a Finding had ever been signed in November-December 1985.

Indeed, the Inspector General report of January 7, 1987 states (even at that late date) "what remains unanswered on the basis of material currently available to the Inspector General is whether the initial Finding drafted by the Agency on 26 November 1985 was actually signed by the President and subsequently superseded by two Findings signed in January 1986 or simply never signed at all." The Tower Board also could not be sure the Finding had been signed. Indeed, evidence available to the Board suggested that the Finding had not been signed. (Report of the President's Special Review Board at III-10 (February 26, 1987)).

It is not at all clear from Mr. Casey's memorandum dated November 16, 1986 that his reference to Stan Sporkin was related to the December 5, 1985 Finding. Indeed, the context suggests that the reference may well refer to Mr. Sporkin's views on non-notification of Congress.

10. The President had held news conferences on November 13 and 19, 1986, where he asserted there had been no "arms for hostages." The wording of the December 5, 1986 Finding belied those assertions. We now know that the "chronologies" prepared by the NSC during the same period purposely omitted any reference to the December 5 Finding. (See Iran-Contra Committee report, p. 300) We also know that Admiral Poindexter on November 21, 1986 destroyed the only signed copy of the December 5 Finding because it would have been politically embarrassing for the President. (Poindexter testimony, 7/15/87, pp. 42-44). Are you aware of any information that would indicate a decision on the part of Admiral Poindexter, Director Casey or anyone in the Reagan Administration to deliberately withhold mention of this Finding in the Casey testimony of November 21? If so, please explain.

No, I am not aware of any such information.

11. At your April 10, 1986 confirmation hearing as Deputy Director of Central Intelligence, you had the following exchange:

"SENATOR LEAHY. Dr. Gates, if you became aware that others in the CIA, whether the Director or anybody

else, had given us misinformation, either intentionally or negligently, on matters that come within our jurisdiction, would you correct the testimony that had been given to us?

MR. GATES. You have my assurance that I would do so." (SSCI, 4/10/86, p. 45)

In the questioning of Director Casey on November 21, 1986, the following exchange took place regarding the January 17, 1986 Finding and the discussions which had led up to it:

"SENATOR BYRD. Now, that discussion, the discussion which led up to the decision that there should be a Finding [on January 17]...began as early as December, as I understand.

MR. CASEY. Yeah, I think maybe even earlier. Maybe late December.

SENATOR BYRD. You mean late November.

MR. CASEY. November. After the shipment had been completed and had been authorized, and we said we're not going to do this again without a Finding, and then I think they started talking about the kind of Finding, and when." (transcript, p. 69)

Thus, not only did Director Casey's statement avoid mention of the December 5, 1985 Finding, but he expressly states in questioning that the November activity had been accomplished without a Finding. Were you later made aware of this exchange? If so, did you regard it as "an intentional or negligent" effort to conceal the existence of the December 5th Finding from the Committee? If so, what actions did you take?

No, I was not aware of this exchange between Mr. Casey and Senator Byrd. I did not accompany Mr. Casey to the Hill when he testified, and he did not brief me on the specifics of his remarks. Further, I did not review a transcript of his testimony, and thus I did not know precisely what was said by Mr. Casey or the Committee members.

12. In his testimony before the Iran-Contra Committees, LTC North stated that Director Casey clearly knew that the November, 1985 flight was carrying HAWK missiles at the time his testimony was being prepared. (See Iran-Contra hearings, 7/7/87, pp. 95-100) If this is true, Director Casey would appear to have deliberately misled the Committee on November 21, 1986, by saying "[a]s far as I can find out, the Agency did not know what it was handling at that time?"

(Transcript, p. 36) Do you have any reason to believe Casey knew on November 21, 1986, that the CIA proprietary aircraft was carrying HAWK missiles?

Yes, I believe Mr. Casey did know on November 21, 1986 that the proprietary aircraft was carrying HAWK missiles. However, as I said in Interrogatory number 7 above, it was still very unclear on November 21, 1986 who, if anyone, from the Agency had contemporaneous knowledge (November 1985) of the nature of the cargo. I do not know whether Mr. Casey had contemporaneous knowledge of the cargo.

13. Casey's prepared testimony on November 21 makes no mention that private persons (e.g. Secord, Hakim) are involved in the operation, referring only to "U.S. officials" or "the U.S. side." During questioning, the following exchange takes place:

"SENATOR EAGLETON. ...And don't you also have intelligence information...that General Secord who is one of these private warriors that ships arms around the world, has shipped \$125 million worth of material, armored personnel carriers, to Iran, prior to this incident [the November, 1985 flight] that is before the Committee?

Mr. CASEY: I don't have the specificity of that in my own mind, but we do know and do believe that Secord has been doing business with the Iranians in arms. Other people all over the world have been doing that." (transcript, p. 50)

Subsequently during the hearing, Senator Bradley asks about who on "the U.S. side" did the translating at a February, 1986 meeting with the Iranians held in Germany. According to the report of the Iran-Contra committees (p. 218), Albert Hakim, a Farsi speaker, had been brought in by Secord from Geneva to do the translation at this meeting. But the Senator's inquiry is answered as follows:

"SENATOR BRADLEY. The point is, who at this meeting spoke Farsi?

MR. CASEY. They had an interpreter.

SENATOR BRADLEY. They had an interpreter?

MR. CASEY. Yeah...I understand there was an interpreter who lived in Geneva. They later superseded him by our interpreter.



MR. [CHARLES] ALLEN. We understand one of the Iranian intermediaries who spoke English did the interpreting.

SENATOR BRADLEY. The Iranian intermediary?

MR. CASEY. Yeah.

SENATOR BRADLEY. So the U.S. Government went to this meeting but did not have its own Farsi speaker, is that correct?

MR. CASEY. That's right; yeah, that's right."  
(transcript, p. 82)

These responses appear to have been an attempt to avoid revealing to the Committee the involvement of Secord and Hakim in the Iran initiative, in much the same way as the prepared statement. Were you subsequently made aware of these responses by the Director? If so, did you regard them as misleading? If so, did why did you not feel obliged to report them to the Committee in accordance with your earlier assurance (see question 11, above)?

No, I was not subsequently made aware of these responses by Mr. Casey to Senator Bradley's questions. He did not discuss them with me, and I did not review a transcript of his testimony. The last full draft of Mr. Casey's testimony that I saw (1200, 20 November) referred specifically to Hakim, noting that he had been tasked to maintain contact with the Iranians. I do not know why the reference to Hakim in the draft I saw was deleted.

14. Although Casey's prepared statement acknowledges that the "NSC" participated in the negotiations with the Iranians, the names of Poindexter and North are never mentioned. During questioning, Casey is asked more specifically about NSC involvement:

"SENATOR BRADLEY. Could you tell me who in the Executive branch participated in [the development of the January 17, 1986 Finding] -- in the White House?

MR. CASEY. I can't be sure.

SENATOR BRADLEY. You can't be sure?

MR. CASEY. No. You know, I am sure the NSC was involved in it. Who at the NSC worked at it --

SENATOR BRADLEY. The NSC was involved?

MR. CASEY. Yeah.

SENATOR BRADLEY. And who on the NSC participated?

MR. CASEY. I really can't tell you all who might have been in. I would be just guessing..." (p.76)

SENATOR BRADLEY. Has Mr. Poindexter participated in this venture any place outside the United States?

MR. CASEY. Not that I know of. I don't think so.

SENATOR BRADLEY. Did he meet any Iranians? Did he meet with any Iranians outside the United States?

MR. CASEY. I can't answer that, Senator. I haven't got his diary.

SENATOR BRADLEY. Pardon?

MR. CASEY. I haven't got his diary. I don't know. I can find out.

SENATOR BRADLEY. Could you find out and tell us?

MR. CASEY. I suspect that he met with Israelis in the United States but not outside the United States. I suspect that he did not meet with Iranians, although he may have met with them in the United States. He didn't meet with them out of this --

SENATOR BRADLEY. Could you provide that for the record?" (transcript, p. 80)

Were you subsequently made aware of this exchange? If so, did you regard the Director's responses as misleading? If so, why did you not report this to the Committee pursuant to your earlier pledge (see question 11)?

No, I was not subsequently made aware of these responses by Mr. Casey. He did not discuss them with me, and I did not review a transcript of his testimony.

15. Director Casey's prepared statement omits any discussion of the operational problems which occurred as part of the arms sales to Iran. For example, it does not identify the Iranian intermediary as Manucher Ghorbanifar, nor advise the Committee of CIA's previous assessments of him as untrustworthy and unreliable. It does not mention CIA's concern with the use of Secord and Hakim as interlocutors. While the statement did provide precise information on the weapons CIA had obtained and shipped to Iran, and how much CIA itself had been paid for these weapons, the statement

makes no mention of what the Iranians had paid through the intermediaries, nor does it discuss the complaints of the Iranians in terms of the quality of the weapons they were receiving. Nor does it mention the problems with the original investors which Roy Furmark had made known to CIA in October and November. All of these facts were known to CIA at the time but were omitted from the Director's statement.

You have previously testified that these omissions were simply a matter of judgment by those who put the testimony together, but that you regarded Director Casey's testimony as "a fair statement of what we knew at the time." (SSCI, 2/87, p. 145) Given these particular omissions, do you continue to stand by that characterization?

As I have said, I regret that Mr. Casey's testimony on November 21, did not contain a more complete account of the CIA's role in the sale of arms to Iran. In retrospect, we should have sought a postponement of the November 21 hearing until those preparing the testimony had assembled more information relating to the CIA's role in the operation. I did consider doing so, but concluded that a delay would not be politically acceptable. However, the testimony included a specific statement that the Agency was still searching its records and would report any further information.

The CIA was hampered in its fact finding by the compartmentation of the Iran initiative and the very short time frame in which it had to put together the disparate facts of this complex, highly compartmented operation. Those drafting the testimony had not been involved in the operation and were working from chronologies that did not reflect many of these operational problems. The statement was obviously incomplete, but it was an accurate reflection of what was known by those preparing the statement at the time.

The last full draft I saw (1200, 20 November) had more details and names than did the testimony as delivered. I do not know why Mr. Casey made these deletions.

16. You have testified that Casey told you that he had advised Admiral Poindexter on October 15, 1986, or sometime thereafter that LTC North should get a lawyer. (SSCI, 2/87, p. 41) You have also testified that on two occasions, Director Casey told Poindexter that he should have White House Counsel review the legality of the entire initiative. (SSCI, 2/87, pp. 40-41) Both actions would suggest a clear concern with regard to legality of the activities undertaken by LTC North.

Yet, when it came time to preparing the Director's testimony of November 21st, you testified in your deposition before

the Iran-Contra committee (p. 53) that you relied upon North's description of the CIA's role in the Iran arms sales prior to January 17, 1986.

In fact, there were problems with at least two of the provisions in the first draft of the Casey statement that North had suggested.

First, you have testified that you were so concerned with North's suggestion that the testimony say that the Israelis (rather than North himself) had requested CIA assistance that you insisted on raising this at the White House meeting to discuss the Casey testimony on November 20th. According to your testimony, North's proposed language was dropped without objection from Poindexter. (Iran-Contra dep., pp. 50-51)

Second, you testified before the Iran-Contra committee (Deposition, p. 53) that Casey himself struck out language suggested by North that "no one in the U.S. Government" knew what was on the November, 1985 flight.

Given your general concern about North's possible legal liability (and a possible desire to protect himself), why did you rely upon him to provide an accurate description of CIA's role?

First, I want to clarify what the question characterizes as our "general concern about North's possible legal liability (and possible desire to protect himself)." Mr. Casey did not speak to Admiral Poindexter in my presence about LTC North talking to counsel, and when he indicated to me that he had made the suggestion, it was not clear whether he had been referring to the White House Counsel or private counsel. More importantly, the suggestion to Admiral Poindexter about having the White House Counsel review the Iran initiative was cast, as I recall, in very broad terms, to address the propriety of the Iran project, not to focus on possible violations of law by any individual.

Second, for the record, the issue over who had requested the assistance of the CIA proprietary in November 1985 and the language "no one in the U.S. Government" knew what was on the November 1985 flight was developed in the context of a chronology being prepared as a working tool, not as part of the text of Mr. Casey's testimony. One drafter of the testimony advised me (subsequent to earlier testimony) that this phrase was never in a draft of Mr. Casey's statement. No sentence like this appears in the 1200, 20 November draft testimony--the last one I reviewed. Mr. Casey brought a one-page chronology of CIA's involvement in the Iran affair to the 20 November meeting in Admiral Poindexter's office. One entry on that chronology indicated that no one in CIA had known what was on the plane. Either Admiral

Poindexter or LTC North (I do not recall which one) observed that "no one in the U.S. Government" knew, and Mr. Casey wrote that on his chronology, but to the best of my knowledge it never appeared in the draft statements being prepared for his testimony.

Specifically to respond to the question, it is a fact that the people who were drafting the testimony on behalf of the CIA did not have direct knowledge of the events of fall of 1985 and had to work with LTC North in compiling a chronology for that period. At the time, he was the person most knowledgeable about these activities, and there was, then, no basis to exclude him from the preparation.

17. According to White House internal memos dated November 16 and 17, 1986, you, Clair George, and Jeff O'Connell were to meet with Admiral Poindexter and LTC North at 4:00 p.m. on Wednesday, November 19, to discuss Director Casey's testimony. This would have preceded the meeting on the 20th where Director Casey was himself present. According to your letter to this Committee of February 25, 1987, the purpose of the meeting was to have Clair George brief Poindexter on his briefings to the SSCI and HPSCI staffs of the previous day. Do you recall why this was done? What do you recall about this meeting?

Although I do not recall specifically why this was done, I believe it was so that Mr. George could provide Admiral Poindexter with a description of what issues were of primary concern to the Committees. I do not recall whether Mr. Casey's testimony was even discussed. It is common practice for intelligence officials to brief policy makers on the concerns of Congress, especially inasmuch as Mr. George had briefed the Committee staffs on CIA's part in support of a foreign policy initiative that had become controversial.

18. On the morning of November 21, immediately before the SSCI hearing at which Director Casey was to appear, the Chairman and Vice Chairman of the SSCI were to meet with Admiral Poindexter concerning the same series of events. With respect to what cargo had been on the November, 1985 flight, the Chairman and Vice Chairman were told essentially the same story by Admiral Poindexter that Casey gave the Committee a few hours later:

- both said they had only learned the day before that there may be U.S. knowledge of the November, 1985 flight;
- both said that the U.S. only learned in January, 1986 that the cargo may have been military equipment;

- both said they wanted to check the facts and get back to the Committee. (See Iran-Contra Committee report, p. 302)

Senator Warner, in his questioning at your prior confirmation hearings, (SSCI, 2/87, pp. 44-45) asked whether, given the similar statements of both men, there had been any coordination between the two men on what they would say about the November, 1985 flight. You replied:

"I know that, or I believe, that drafts of the testimony -- a draft -- was provided to the NSC. My impression has always been that it was more in terms of a part of the effort to get the facts right as opposed to coordinating a line, if you will, to take."

- a. Were you aware that Poindexter was meeting with the Chairman and Vice Chairman of the SSCI before Casey's testimony.

To the best of my recollection, I was not aware of this meeting.

- b. You attended the meeting on November 20th at the White House with Casey and Poindexter. Was a purpose of that meeting to go over Casey's testimony to ensure that Poindexter would not say anything contradictory to the Committee leadership?

As far as I was concerned or knew, the sole purpose of our attendance was to settle the question of who asked for the proprietary in November 1985. There was a discussion underway when we arrived between the Attorney General and Admiral Poindexter on the events of early fall, 1985. We did share a chronology of CIA's involvement. The Attorney General and Assistant Attorney General Cooper were present the entire time I was in the room.

- c. How do you explain the similarity in their statements concerning the November, 1985 flight?

I cannot explain the similarity in the statements concerning the November 1985 flight.

19. On November 19th at a press conference, President Reagan had stated that there was no U.S. involvement in the November, 1985 weapons shipment. Do you remember any discussion at the meeting with Poindexter on November 20th, that the Casey testimony must conform with the President's public statement of the previous day?

No.

20. In your letter to the Committee of 2 March 1987, you wrote:

"I regret that the DCI's statement of 21 November did not contain a more complete account of CIA's role in the NSC's Iran initiative. In retrospect, we should have sought a postponement of the 21 November hearing until those preparing the testimony had assembled more of the facts relating to CIA's role. I did consider doing so, but concluded that a delay would not be politically tolerable [words omitted] [presumably "the statement"] that was produced for the November 21 hearing was as accurate as we could make it under the circumstances..."

Do you continue to stand by this assessment?

For the reasons set forth in the answers to the previous questions, I believe that the testimony, though incomplete, was a fair statement of what the drafters of the statement and I knew at the time. As I have stated previously, the people who were drafting the testimony did not have first-hand knowledge of the events of the fall of 1985. In my role as DDCI, I provided strategic direction for the preparation of the testimony until Mr. Casey returned from his trip and assumed this responsibility. Indeed, I did not even see, prior to the November 21 hearing, any draft subsequent to the draft labeled "1200 November 20." As I recall, Mr. Casey prepared subsequent drafts himself. As I wrote to the Chairman of the SSCI on March 2, 1987, I learned sometime later that Mr. Casey had changed -- indeed, deleted, -- a good deal of the statement himself, without consulting me, after the last draft I saw.

PART III. WHAT KNOWLEDGE DID YOU HAVE OF THE NSC'S OR THE CIA'S EFFORTS TO ASSIST THE PRIVATE BENEFACTORS IN SUPPORT OF THE CONTRAS?

1. A March 12, 1986 entry in the North notebooks reads:

-- "Call from Clarridge

[deleted] Green -- to DDI -- at Langley

-- Two Brits w/FDN -

-- No Names

-- CIA been info d"

As the DDI at that time, can you shed any light on the meaning of this notebook entry?

I have not reviewed LTC North's notebooks and therefore I am reluctant to speculate on the meaning of the entry cited in your question. From the text of the excerpt, it is not clear whether the term "DDI" refers to me as the Deputy Director of Intelligence or to the Directorate of Intelligence which is commonly referred to as the "DDI" rather than as the "DI" by people both inside and outside the Agency.

2. According to a memorandum dated May 14, 1986 from Vincent M. Cannistraro to Admiral Poindexter (see Poindexter Exhibit 49), one of the agenda items for his May 15, 1986 meeting with you and Director Casey was the "status of Ollie's ship." The memo reflects that North had first offered to lease the ship (the Erria) to CIA for six months and then had proposed another arrangement, the specifics of which are not clear from the text. The memo goes on to say that CIA has rejected this suggestion because a former Agency officer, Tom Clines, was involved with the ship. This is confirmed in a CIA memo prepared for the DCI prior to the meeting. (See Appendix A, Vol. 2 Iran-Contra Affair Source Documents, p. 963)

The U.S. Government was attempting at that time to obtain the use of a Navy ship for a compartmented covert action program unrelated to Central America. The only reason any ship other than a U.S. Government ship was under discussion at all was because the Navy had not responded to the interagency request. The Committee's question seems to suggest that I had access to Mr. Cannistraro's memorandum dated May 14, 1986. I did not see his memorandum; in the CIA memorandum I received prior to the meeting with Admiral Poindexter, there was a reference only to efforts to obtain a Navy ship. I was not aware of any specifics of the ship being proposed by LTC North for charter or acquisition. In fact, my recollection is that he was simply suggesting use of the charter ship as an alternative to the Navy. The idea was, as I recall, not seriously considered by the Interagency group because of the Navy's reluctance to protect the ship against retaliation.

- a. What do you recall about this episode?

I have no recollection of this meeting, and neither Mr. Casey nor I prepared a Memorandum for the Record after the meeting nor did I make notes. CIA files contain a copy of the briefing material prepared for Mr. Casey and for me prior to the meeting. Mr. Casey made some notes on his copy as the meeting proceeded. There is no mention of the Erria in his handwritten notes, which are included herewith together with the other briefing materials.



- b. Specifically, were you aware that the Erria had been used to deliver arms purchased through General Secord to the Contras in 1985?

I was unaware at the time that the Erria had been used to deliver arms purchased through General Secord to the Contras in 1985. I did not learn the particulars until the investigation by the Select Committees. I recognize that the Select Committee report found that CIA was aware of the ship's use to transport arms, but this information was not brought to my attention. Our Office of Inspector General considered various issues related to the Erria in its report on the Agency's support to the Contras. (See the answer to question 10 below.)

- c. Did the fact that LTC North was pressing CIA to lease or buy the ship suggest to you that he was involved in the operational side of the "private benefactors" activities?

I did not make this connection at all. I was aware only of LTC North's suggestion in an interagency forum for charter of a private ship for an entirely different purpose. I have no recollection that he was pressing CIA to lease or buy the ship.

3. In a memorandum for record dated 11 July 1986, relating to a meeting with Admiral Poindexter, you wrote that you had raised the subject of Vince Cannistraro's remaining on the NSC staff which Poindexter had requested. But you noted:

"I also repeated our concern that should Vince take over the Central American account, that he have nothing to do as a CIA employee with the private sector people Ollie had been dealing with in support of the Contras."

- a. What was your understanding of the activities North had engaged in with the "private sector people" that would not have been proper for a CIA employee? What caused you to state this concern?
- b. In your Iran-Contra committee deposition, you described your understanding of LTC North's role vis-a-vis the "private benefactors", in the following exchange:

"MR. GATES. Most of what I knew I knew from allegations in the newspapers. My understanding of what he was doing at the time was that he was basically holding the hand of the resistance leaders, offering them political advice and staying in touch with them, that he was encouraging, with presumably others in the White House, encouraging private Americans to donate money to the contras, and I presumed that he had a role

in putting those two groups in touch with one another...

Q. Were you aware of any connection between North and the private benefactors as of October 1986?...Other than North's general involvement with fundraising?

MR. GATES. And in an advisory capacity, no, certainly not in an operational sense..." (pp. 30-32)

If your understanding of LTC North's role vis-a-vis the "private benefactors" was as you stated it to the Iran-Contra committees, then in what way did these activities cause you concern should they be assigned Mr. Cannistraro?

During this time, it was widely known that LTC North was in contact with private benefactors, including Americans. The Boland Amendment and CIA's policy directives forbade Agency employees from having any contact with private benefactor activities in support of the Contras. Mr. Cannistraro was a CIA employee on assignment to the NSC. In accordance with my concern that all CIA employees comply not only with the letter but with spirit of the Boland proscriptions, I wanted to make it very clear to Mr. Cannistraro and to the NSC that I did not want even the appearance that CIA was in any contact with the private American benefactors.

4. In a PROF note from Admiral Poindexter to LTC North dated July 26, 1986, Poindexter writes: "I did not give Casey any such guidance. I did tell Gates that I thought the private effort should be phased out. Please talk to Casey about this. I agree with you."

In your letter to the Committee of 2 March 1987, you wrote that you "have no recollection of such a conversation with Poindexter. But this communication occurred at a time when planning was underway at the NSC to phase out the private benefactor program, following Congressional approval of \$100 million for support to the Nicaraguan resistance, and to prepare for CIA's assumption of operational responsibility under the new legislation. More specifically, also under discussion at that time was a restructuring of the NSC staff responsibility which would have removed all responsibility for Central America from Lt. Col. North and transferred it to another officer on the NSC staff..."

- a. When you wrote that "planning was underway at the NSC to phase out the private benefactor program," what was your understanding of the "program" being phased out?

My understanding was that because of new legislation that would provide the Contras with \$100 million dollars in aid, the White

House concluded that the private benefactor effort to help the Contras simply would no longer be necessary.

- b. Similarly, when you refer to LTC North being removed from responsibility for Central America, what was your understanding of the roles he had been playing vis-a-vis the "private benefactors?"

My understanding was that LTC North spent some of his time and effort encouraging private citizens to donate money to the Contras, and I assumed he had a role in putting those two groups in touch with one another.

- c. In his testimony before the Iran-Contra committees, Admiral Poindexter described his conversation with you as follows:

"My recollection is that when I eventually spoke to the CIA, I don't believe I spoke to Director Casey. I think it was Mr. Gates. And I simply indicated to him that there was an effective private logistics operation and that they ought to look into the possibilities of taking that over and didn't get into the details with Mr. Gates, whether it would be purchased or given or what sort of arrangements might be worked out." (Poindexter testimony, July 20, 1987, pp. 260-261)

Earlier, in his deposition, Poindexter had recalled:

"I believe I did talk to Gates. And I went over the arguments about why it would be useful to do that [for CIA to buy the assets]; and Bob said, 'Let me check into it,' or something like that." (Poindexter deposition, May 2, 1987, p. 1182)

Do either of Admiral Poindexter's recollections cause you to remember this conversation? If so, what do you recall about it? What, if anything, do you otherwise recall about North and Poindexter's efforts to arrange the sale of these assets to CIA?

I do not recall this conversation.

- d. At the North lunch on October 9, 1986, you asked him for assurance that CIA employees were in no way involved with support to the "private benefactors" who were assisting the Contras. You received such assurance and committed it to writing afterwards. You subsequently conveyed such assurances to the Committees. In light of the testimony that ensued in the Iran-Contra investigations, particularly as it related to the activities of the CIA station chief in

Costa Rica and other CIA locations in Central America, did you come to feel that North had lied to you when he conveyed this assurance?

At lunch on October 9, 1986, LTC North told Mr. Casey and me that there was no CIA involvement in the private benefactor effort. My recollection of the conversation is that LTC North told us that "CIA was clean." Subsequent investigations by our Office of Inspector General, by the Select Committees, by the Tower Board, and by a Special Counsel appointed by Judge Webster all found that, despite explicit instruction to the contrary, a CIA officer in Costa Rica was in unreported contact with private benefactor supporters and LTC North from the fall of 1985 through the fall of 1986. LTC North did not tell me of these contacts in response to my question.

6. In your deposition to the Iran-Contra committees, you denied any knowledge of the role of Joseph Fernandez in assisting the "private benefactors," or that he was receiving instructions from LTC North relative to such assistance. (p. 29) In May, 1986, however, during a visit to the region, the C/CATF became aware that Fernandez was in frequent contact with the private benefactors and was providing them certain types of assistance. (See testimony of C/CATF, 8/5/87, pp. 110-113) On May 28, 1986 shortly after you became DDCI, a cable was sent from CIA Headquarters to Fernandez reaffirming Agency policy on providing materiel or monetary support to the "representatives" of the contras. (Ibid., p. 111) This cable was followed by another cable to Fernandez on July 12, 1986, saying that the assistance he proposed to give to the private benefactors would violate Agency policy and the Agency's commitments to the Congress. (C/CATF Exhibit 33, reprinted at p. 648.

Were you aware of either cable, or the events which prompted them?

The cables sent on May 28, 1986 and July 12, 1986 were not provided to me, and it is unlikely that I would have seen them. To avoid violating Congressional prohibitions, Agency policy clearly stated that our employees should have no contact with the private benefactors, and I expected that these instructions would be made available to our employees and that our employees would comply with both the letter and the spirit of the proscription.

7. In LTC North's notebooks, there is an entry on the 13th of October, 1986 apparently summarizing a meeting North had with "RVS et al", presumably Richard V. Secord. One of the "boxes" under this meeting heading was a notation as follows:

- "W.J.C./-Bob G.  
 -- Vulnerabilities if RVS becomes public/ SAT public;  
 -- Rob Owen -- (unintelligible)  
 -- FBI Investigation} SAT/  
 -- Customs invest.}"

Did LTC North ever discuss with you any of the subjects mentioned in this notation? If so, please explain when this occurred and what you were told. If not, can you explain why the notation appeared in this form in the notebooks?

LTC North did not discuss these subjects with me.

8. In General Counsel Doherty's interview (See Tab #5), he stated that in his meeting with you on October 15 or 17, 1986 you told him that the FBI was doing an investigation of Southern Air Transport and that the FBI's investigation of SAT involved the Nicaraguan Humanitarian Assistance Office. According to Doherty, your concern was "that the FBI in the pursuit of its investigation of the NHAO aspect of SAT's activities, stumbled onto the Iranian operation." (p. 5) Doherty added that he impressed upon you the importance of not going to the FBI to foreclose or to delay their investigation. Is this account accurate?

- Please describe what you learned and did with respect to the FBI investigation of Southern Air Transport, including any discussions with other persons about possible delay of the investigation.

I have no specific recollection of my discussion with Mr. Doherty beyond what I have said in previous testimony. Beyond my conversation with Mr. Doherty, I do not specifically recall any conversation or activity with respect to the FBI investigation of Southern Air Transport.

9. Did you ever come to believe that Clair George or other CIA employees may have provided misleading information by assuring the intelligence committees after the Hasenfus crash that:

"I would like to state categorically that the Central Intelligence Agency was not involved directly or indirectly in arranging, directing or facilitating resupply missions conducted by private individuals in support of the Nicaraguan democratic resistance..."? (George transcript, HPSCI, 10/14/86, p. 4)

If so, why did you not report this to the committees consistent with the assurance you provided at your April, 1986 confirmation hearings (see Part II, question 11)?

To the best of my knowledge, and according to his own subsequent testimony, Clair George's statement to HPSCI on October 14, 1986 was made without knowledge of Mr. Fernandez's activities. At the time Mr. George testified, I believe CIA senior management was not yet aware that Mr. Fernandez had been in unauthorized contact with private benefactor supporters and LTC North. As you recall, I discussed the state of our knowledge on this issue in the answers to supplemental questions submitted to me by the SSOCI on February 12, 1987, when I stated as follows:

"The only activities which I am aware of that may have had the purpose or effect of providing illegal or unauthorized assistance to the Nicaraguan resistance involve the actions of one of our officers in support of the Nicaraguan resistance during late 1985 and 1986.

On 13 January 1987, I informed the Chairman and Vice Chairman of this Committee that we had uncovered that this individual had violated Agency policy--but not necessarily the law--governing our involvement with the Nicaraguan resistance.

On 22 January, I was informed by CIA's Inspector General that our officer may have misled us in earlier interviews and conversations regarding his activities. I telephoned the Chairman and Vice Chairman of the two oversight intelligence committees to inform them of this within an hour of being apprised myself (emphasis added)."

The Committee should also be aware that, on December 29, 1986, a memorandum was provided to the HPSCI by the Agency which reported that we had developed information supplementing that provided by Mr. George on October 14, 1986. The concluding paragraph of that memorandum states as follows:

"As you know, the Deputy Director for Operations and the Chief of the Central American Task Force testified before the Committee regarding the Hasenfus matter on 14 October 1986. That testimony does not reflect what we now know."

I believe that the provision of the memorandum, the telephone calls to the Committee within an hour after learning facts myself, and my request that the CIA Inspector General pursue additional investigation (see question 10 below) reflect my efforts not only to develop all the facts but also are consistent with my assurance given to the Committee at my April 1986 confirmation hearings.

10. You testified at your DCI confirmation hearing in February 1987 that you had instructed the CIA Inspector General to reinvestigate certain activities by CIA officers in Central America and that you had not read the results. (pp. 89, 165) You stated in your Iran-Contra deposition (p. 1033) that there was some concern about the CIA Inspector General's initial Iran-Contra inquiry and that you wished "that some of the things that they have learned in the late spring [of 1987] they had learned earlier, in January and February." Please provide an unclassified summary of the Iran-Contra matters that were uncovered and reported by the CIA Inspector General as a result of the reinvestigation you ordered.

The Inspector General's inquiries concerning the Iran-Contra issue were undertaken over a period of time. The initial investigation, completed on 7 January 1987, focused primarily on U.S. Arms sales to Iran. One seven page portion of that report focused on the reported diversion of funds to the Contras. At the time the report was completed we had only the first glimmerings of Mr. Fernandez' activities.

A second IG investigation, which focused entirely on Mr. Fernandez's activities, was then conducted and was completed on 24 April 1987. Thereafter an additional inquiry into the covert action program supporting the Contras was undertaken and was completed on 11 August 1987. The foreword to the third IG report summarizes these activities succinctly.

"The review of the Contra covert action program is an outgrowth of an earlier investigation by the Office of Inspector General (OIG) into the Agency's role in the sale of missiles to Iran and the diversion of profits from that sale to the Contras. It was during that investigation that the OIG first learned about the involvement of the Chief of Station (COS), San Jose, with "private benefactors" who provided independent support to the Contras during 1985 and 1986. While OIG was engaged in an investigation of the COS' activities (described in a separate IG report), [Acting DCI Gates] directed that it undertake a broader review of the Contra program."

The new information concerned CIA activity in Central America, and the key conclusions can be summarized as follows:

1. Activities of Mr. Fernandez with respect to involvement with private benefactors were in violation of clear CIA policy.
2. We learned that with the exception of the unilateral activities of the Chief of Station, San Jose, no Agency

officer provided assistance to the private benefactors in 1985 and 1986. (The 7 January report was provided to SSCI as I had promised and the 11 August 1987 report was reviewed at CIA Headquarters by four staffers from the Select Committees. The follow-up special counsel report conducted for Judge Webster and dated 15 December 1987 was provided to both the HPSCI and the SSCI.)

**PART IV.**

**WHAT WAS THE EXTENT OF YOUR INVOLVEMENT IN THE IRAN ARMS SALES PRIOR TO OCTOBER 1, 1986?**

1. In your previous testimony before the SSCI, you stated that your first involvement with the Iran project occurred on December 5, 1985 when you attended a meeting in John McMahon's office at CIA. (SSCI, 2/87, pp. 12, 45)
- a. In his testimony before the Iran-Contra committees, former Deputy Director for Operations at CIA, Clair George, stated:

"In September of '85, Bill Casey had me, John McMahon, Bob Gates in his office, and Bill Casey said, 'I've just had a strange meeting in the White House. Bud McFarlane informs me that the Israelis have approached them, the Israelis have established a contact with Iranian interests, and these contacts could lead to an opening of a dialogue with certain Iranians and to release of the hostages. But the Israelis have one demand: CIA not be informed.' And there was a twinkle in Casey's eye and he said, 'I wonder what in hell this is all about.'" (George testimony, 8/6/87, p. 214)

Do you recall being at the meeting referred to by Mr. George? If so, what do you recall with respect to this meeting?

I do not recall this meeting.

- b. You indicated in response to questioning at your earlier confirmation hearing (p. 45) that you were not aware in September, 1985, the NIO for Counterterrorism Charles Allen, who, at that time, reported to you as Chairman of the National Intelligence Counsel, had been tasked by LTC North to coordinate intelligence collection concerning Iran as part of a U.S. effort involving the hostages. When did you become aware that Mr. Allen was performing this function?



I cannot pinpoint a specific time when I first became aware that Mr. Allen had been tasked by LTC North to coordinate intelligence collection.

2. You have testified that you were not happy with being directed to put together intelligence packages to support the Iran initiatives. (SSCI, 2/87, p. 64). Indeed, DDCI McMahon sent a cable to Director Casey on January 24, 1986, stating there was strong opposition within the Agency to the provision of intelligence, and, indeed, to the Iran initiative as a whole.
  - a. Director Casey and General Counsel Sporkin had been deeply involved in drafting the Finding of January 17, 1986. Were not your objections and those of John McMahon taken into account in the drafting process?

The Finding was drafted to implement a policy decision that already had been made. This drafting process took place before I was briefed on the program and had expressed my objections.

- b. What role did you take, if any, in the drafting of the January 24, 1986 McMahon cable to Casey? Did you agree with the position it was taking? Please have this cable reviewed for declassification and provide a sanitized version with your response.

I played no role in drafting Mr. McMahon's cable to Mr. Casey; however, I agreed completely with the position Mr. McMahon set forth, and I believe that my earlier discussion with Mr. McMahon on this topic had some influence on the views he expressed to Mr. Casey. I do not think I saw this cable until the Agency began to gather material for the Select Committees in connection with its investigation. In accordance with your request, I have attached hereto a sanitized copy of the cable.

3. In your letter to the Committee of 2 March 1987, you fleshed out the particulars of your involvement in the Iran arms sales initiative prior to October 1, 1986, as indicated by your letter, by a review of your meeting and telephone logs. As the Committee constructs it, this involvement is as follows:

December 5, 1985: Meeting in McMahon's office to discuss Iran in preparation for a White House meeting on December 7. Learns of November, 1985 flight and hears that a finding was signed.

Late December, 1985 or early January, 1986: Remembers hearing White House lawyers were having trouble with the "retroactive language" in the finding.

January 24, 1986: Meeting with McMahon, North, C/NE. Receives tasking from NSC to prepare intelligence material for passage to Iran. Tasks Chief of Persian Gulf branch to prepare.

January 29, 1986: Meets with Allen and receives MFR of Allen's January 13 meeting with Ghorbanifar. Covers U.S. hostages and some background on November 1985 shipment of HAWK missiles.

February 18, 1986: Meets Allen and receives another MFR regarding Allen's meeting with Ghorbanifar. Sees photos of alleged terrorists supplied by Ghorbanifar.

February 20, 1986: On distribution for another Allen MFR relating to Ghorbanifar and recommending "we begin to work with the subject."

March 3, 1986: Asks Director of Soviet Analysis to prepare briefing package on Soviet forces deployed against Iran for passage to Iran.

March 10, 1986: Meets with Director of Soviet Analysis and George Cave to go over briefing package.

April 16, 1986: May have been updated on talks with Iran by C/NE.

May 3, 1986: Received another Allen memo concerning Ghorbanifar and release of the hostages.

May 8, 1986: Meeting with Allen, was likely briefed on status of hostage negotiations and upcoming McFarlane trip.

- a. The Committee is also in possession of a memorandum for record which you prepared which reflects a meeting which you attended with Admiral Poindexter on May 29, 1986, where "[t]here was discussion of current activities relating to Iran." This meeting occurred the day after Robert McFarlane's mission to Tehran had ended. Can you recall any of the discussion that occurred at that meeting?

I note from reviewing my Memorandum for the Record dated 30 May 1986 that there were 11 items discussed at the meeting. I do not recall any detail about any discussion which might have occurred on the topic of Iran, noted in paragraph 2 of my memorandum.

- b. Apart from the events listed above, your 2 March 1987 letter specifies no other meetings or contacts from May

29, 1986 until October 1, 1986, regarding the Iran initiative, although in your testimony before the SSCI (2/87, p. 46), you state that you were kept "periodically briefed on the different stages." At the time you prepared the 2 March letter, did you review your meeting and telephone logs for this period? Can you recall specifically any other meetings or contacts between May 29, 1986 and October 1, 1986 regarding the Iran initiative?

I reviewed my logs for this period to respond to this question. A subsequently prepared document indicates that I may have had one other meeting with Charles Allen on July 3, 1986, where I was probably briefed on developments leading to the subsequent release of Father Jenco. I have found no other records of meetings or contacts regarding the Iran initiative between May 29, 1986, and October 1, 1986.

- c. On May 28, 1986, Charlie Allen sent you a memorandum indicating that Michael Ledeen desired to meet with you. (A copy of the memorandum is in the Iran-Contra depositions, volume B-1, Page 1149.) Mr. Allen testified (in the same volume, page 759) that he believes this meeting did in fact take place. Is he correct? If so, what transpired at that meeting? Did Ledeen tell you of his concerns regarding the arms sales to Iran? If so, how did you react and what action did you take as a result?

My calendar shows that I met with Mr. Ledeen on June 5, 1986 at 9:30 A.M. in my office. I do not recall any of the particulars of our discussion, and I do not believe a Memorandum for the Record was prepared after the meeting. Mr. Allen asked me to meet with Mr. Ledeen. According to Mr. Allen, Ledeen wanted to "discuss a sensitive matter." In requesting the meeting, Mr. Allen said in a memorandum addressed to me that "I do not know the substantive issue that he wishes to discuss, but he commented that it involved a Soviet defector."

- d. On June 8, 1986, Bill Casey and you met with Admiral Poindexter. According to your memorandum for the record on that meeting (a redacted copy of which is in the Iran-Contra depositions at page 1069), Mr. Casey spoke of privately raising \$10 million to ransom the hostages. What was this proposal, and what became of it? Did you ever express any opinion of it?

The meeting was probably on 5 June 1986 (our regular Thursday meeting with Admiral Poindexter), although my memorandum was dated 8 June. I do not recall any details about this proposal including its genesis. I have no indication that it was pursued further.

4. At your nomination hearing to be Deputy Director of Central Intelligence in April 1986, you obviously were aware that a finding had been signed by the President in January, 1986 authorizing CIA to support the arms sales to Iran, and that the President had specifically determined that the intelligence committees should not be notified of this finding.

- a. Although you have testified that you regretted not having done more to raise the notification issue with the Administration, why didn't your confirmation hearings cause you to ask for such a reassessment?

To answer the first part of this question, I would like to refer to a written statement included in my letter to Senator Boren dated March 2, 1987.

"As Deputy Director for Intelligence, I was not informed of the full scope of the Iran initiative until late January/early February 1986; I had no role in the November 1985 shipment of arms; I played no part in preparing any of the Findings; I had little knowledge of CIA's operational role. When I became DDCI, the policy initiative had been underway for many months and the Finding in place for three months. I received updates on the initiative every few weeks. During the summer, I expressed my concerns to Mr. Casey about the effect of non-notification of Congress and about the policy. As deputy, I had no alternative to this other than resignation. I -- along with others more senior in the Administration -- did not believe the policy warranted resignation."

Beyond this, our objections at different points to the Iran initiative had been brushed aside. I believed that concerns about non-notification would be similarly received and therefore did not pursue it, apart from expressing my concerns to Mr. Casey, as noted above.

- b. Although you were not asked the question, how would you have responded to an inquiry as to whether there were covert action findings that had not been reported to the Committees?

This question is difficult to answer in the abstract, but I believe that I would have said that, having not been fully informed of clandestine operations as DDI, I would have to check with Mr. Casey. I would not have misled the Committee.

5. In your previous testimony, Senator Specter asked you whether you ever told Director Casey that you thought the

Iran policy was wrong. You responded "yes...we had several discussions about it in the summer of 1986...the NIO reminded me of a meeting we had in September as an example when the additional two Americans were kidnapped at which point I told the Director that I thought the entire activity should be called off -- that the whole policy was a bad idea." (SSCI, 2/87, p. 182) Can you recall any other discussion you had with the Director on this point?

I do not specifically recall times of other conversations on this with Mr. Casey, other than the one referred to in my February 1987 testimony to the SSCI and other than to say that I recall generally -- but only in passing -- commenting to him on the future costs of continuing non-notification.

#### PART V.

#### WHAT IS YOUR VIEW OF THE ROLE OF DIRECTOR CASEY IN THE IRAN-CONTRA AFFAIR?

1. In his testimony before the Iran-Contra committees, LTC North testified that Director Casey was aware of the diversion of proceeds from the Iranian arms sales to the contras. Both you and Charles Allen have testified that when this subject was broached with Director Casey on October 7, 1986, that he appeared "startled." At the meeting at CIA to discuss Casey's testimony on November 20, 1986, two of the people in the room (Clair George and Dave Doherty) recall Casey stating unambiguously that he did not know of the diversion. Having the benefit of this testimony, and on the basis of your own knowledge, do you now think Director Casey knew of the diversion?

I am aware that the only evidence that Mr. Casey did know about the diversion comes from LTC North; I am also aware that the Select Committees, which had access to far more information than I, concluded that he probably did know about it. I simply do not know the answer.

Casey is the one who gave the "off the shelf, full service" covert capability represented by the Enterprise." (See North testimony, 7/8/87, p. 164; Poindexter testimony, 7/15/87, pp. 145-148) Indeed, North gave Director Casey credit for the development of an "off the shelf, full service" covert capability represented by the Enterprise.

In your deposition to the Iran-Contra committees, you were asked about this testimony and responded:

"He never said anything that would have even suggested that he was thinking about such a thing. And I might add that such a notion would have been one that

if it had been pursued I would have considered it necessary to resign rather than tolerate." (p. 966)

Given your statement, what assessment do you make of North and Poindexter's testimony? Did Director Casey withhold this from you or do you regard the North/Poindexter testimony as improbable?

As with the knowledge of the diversion, I do not know whether Mr. Casey was aware of or involved in "The Enterprise." I therefore cannot make an assessment of the credibility of LTC North or Admiral Poindexter's testimony. However, I stand by my statement in my Iran-Contra deposition that I would have resigned rather than tolerate such activity had it come to my attention.

#### PART VI. MISCELLANEOUS

1. You stated in your Iran-Contra deposition (pp. 1034-1035): "people in the Agency have had to contemplate that people that they thought were upstanding and honest people they trusted both within the Agency and at the White House lied to them. In some cases one has to contemplate the possibility that people one trusted a great deal lied." Who do you believe lied to whom about what?

This deposition was taken on July 31, 1987, shortly after LTC North's public testimony. Based on some of his assertions, I began to wonder whether Mr. Casey had withheld information from me and perhaps even misled me. I made this particular observation at a time when the Congressional investigation had not been completed and therefore no conclusions had been reached. I, along with everyone else, was struggling with a number of questions about the state of various people's knowledge. I was very concerned that I and/or the Agency might have been misled. As I indicated in a previous answer, I still have not been able to answer for myself to what extent Mr. Casey was involved or knowledgeable.

2. At your February, 1987 confirmation hearing to be Deputy Director of Central Intelligence, in your prepared statement to the Committee, you wrote:

"...as Deputy Director of Central Intelligence for nearly a year now [since April, 1986], I have gained the unique perspective that can come only from sharing, along with the DCI, full responsibility for the performance of this country's Intelligence Community. When I became Deputy Director of Central Intelligence, Director Casey and I decided to integrate our two offices in order to involve me

fully in clandestine activities...and all other areas of decision-making."

But in questioning by the Chairman concerning your role in the Iran arms sales, the following exchange occurred:

"SENATOR BOREN. So...even though you were Deputy Director of the Central Intelligence Agency you were more or less in the dark as to how the [arms sales] operation was proceeding in terms of any detailed information, until again about the 1st of October. Is that correct?

MR. GATES. Well, I would describe it this way. Although the Director and I had no formal division of labor...in fact there was an informal division of labor. We both couldn't be on top of everything...So in this informal division of labor, the Iran project and I would say also our Central American activities which were of special interest to him were basically issues which he paid attention to." (SSCI, 2/87, p. 46)

How do you reconcile these two statements?

I do not think the two statements are in conflict. When I became DDCI, I made an effort to become involved with Mr. Casey in all aspects of decisionmaking, including clandestine activities. That said, because of our different backgrounds and because of the sheer magnitude of the task of managing the Intelligence Community, we in fact did have an informal division of work. For example, I spent far more time on the budget, management issues and the Intelligence Community than Mr. Casey. In the clandestine arena, he was more active -- as on the Contras and the Iran initiative -- even though I was involved in monitoring certain other operations. The first statement reflects that I was not assigned only to work on analytical or management tasks and hence, excluded altogether from clandestine activities. The second statement reflects the reality that despite our broad arrangement, some division of tasks was inevitable.

3. In testimony to the House Committee on 12/10/86, you stated that "you drafted a brief skeleton of a statement that the President might use" to discuss the Iran affair publicly and that this draft "was sent down to the White House on the 10th of November." Please provide a copy of this draft and explain what happened to it.

I have not been able to locate this draft, which as I recall was in a one-page, "bullet" format and which I gave to Mr. Casey. In searching for the draft, we located three drafts prepared by Mr. Casey, one of which included an item contained in my proposed

statement. As I reviewed these drafts, I was struck by the fact that Mr. Casey and Admiral Poindexter were having a dialogue about the content of proposed remarks. I was unaware of this discussion. In any event, the proposed statement was not used by the President.

4. Please provide records of any meetings which you attended with Admiral Poindexter or LTC North which reflect a discussion of the Iran initiative or efforts to assist the "private benefactors," which are not otherwise referenced in earlier questions.

I have found no records other than those referenced in previous questions. I have asked that all likely repositories be reviewed again to ensure that nothing responsive to this or previous questions has been overlooked. Should anything additional be located, I will provide it to the Committee.

5. In your letter of March 2, 1987, responding to questions from Senator Bradley, you provide detailed information concerning the development of the 30 May 1985 SNIE on Iran and related DI analyses during the same time period. Your answers do not include, however, a description of the role you personally played at the time as DDI and Chairman of the National Intelligence Council in terms of coordinating CIA's position on these analyses as DDI, or in terms of managing the production -- from start to finish -- of the Community's assessment as Chairman of the NIC. Please provide a description of your personal role in the conception, coordination, and dissemination of these analyses.

I appreciate the opportunity to describe my personal role in coordinating the preparation of analyses and NIE'S, including the ones on Iran. As I noted in responding to Question 13 of the recently submitted application form, during my tenure as Deputy Director for Intelligence (DDI) and Chairman of the National Intelligence Council (NIC), I developed a strategy for long-range improvement of a major element of American intelligence and implemented that strategy successfully over a several year period. In January 1982, I introduced a number of measures to bring about the long-range improvement of CIA analysis, including accountability (for the first time) of analysts for their record of forecasting and assessment; significantly expanded contact with outside experts and exposure of analysts to different points of view; more rigorous standards with respect to the quality of the product; greatly increased supervisory involvement in review of assessments and quality control; greater use of alternative scenarios and more candor about uncertainties; a far more cohesive program of research developed in cooperation with policymakers; and creation of a permanent mechanism to evaluate and learn from past performance.



As DDI I always reviewed the intelligence assessments and research papers. As Chairman of the NIC, I reviewed terms of reference and drafts of NIEs.

In my review of DI and NIC products, I did so with the following questions in mind:

- a. Does the paper make a persuasive case?
- b. Does the paper answer the question posed?
- c. Are there additional questions that should be addressed in the paper?
- d. Is the paper written in the most intellectually persuasive form?
- e. Are there plausible alternative interpretations that should be included?

For NIE's and SNIE's I included one additional question:

Are there additional views in the Community that should be considered?

I am certain that my role in the preparation of the particular SNIE and estimate was in accordance with these precepts.

There have been continuing questions raised about the integrity May 1985 estimate on Iran. I think it is worth repeating one of my responses contained in my letter to Senator Boren on March 2, 1987 with respect to this concern.

"Officials at State, DoD, and NSC often request preparation of estimates and list questions they would like to have addressed. In this case, as with other estimates, while the NSC requested the paper, it was not involved in drafting nor was it allowed to participate in the interagency intelligence coordination of the draft. There were no dissents to the Estimate from any agency. The independence and integrity of the intelligence process were preserved throughout. This can be independently corroborated, and has been in the NIO's memorandum to me of 27 February, which I am providing to the Committee. Finally, I might note that a 1986 SSCI report on intelligence estimates recommended that, 'once the production of intelligence reporting has begun, the National Intelligence Officer or other appropriate official should consult regularly with the principal consumer to ensure that the concept paper, terms of reference, or other guidance address the appropriate question. This is particularly important with respect to unscheduled product.' The report also stated that 'the

product should explore the effects of alternative policy options."

"The far-reaching organizational, procedural, and methodological changes I made in CIA's analytical directorate challenged long-established practice and attitudes. The results in terms of improved intelligence have been widely and publicly recognized. I am, and always have been, a challenger of the status quo. Moreover, the integrity and independence of intelligence assessments has been preserved and protected. It is not unusual for our assessments to challenge or be at odds with the positions of policy agencies, including the White House. A list of examples has been made available to the Committee; more are available. We call them as we see them. And, in the last six years, the Senate Intelligence Committee has not brought to our attention a single instance of what they believed was slanted or politicized intelligence -- and they get it all. We are sometimes wrong, but we are proud of our independence."

Finally, inasmuch as you have asked for a description of the role I played in managing CIA's analytical effort, I submit below my views on the alleged politicization of intelligence assessments - - views I presented in an address to all Agency analysts in January, 1985:

"Let me turn to a problem that we have talked about in these sessions, in branch and division chief meetings, in my branch meetings and in the newsletters: the politicization or slanting of intelligence."

"I believe that the emphasis we have placed on developing closer relationships with policymakers and making our work more relevant to their concerns and requirements has been accompanied by related growth of nervousness in the Directorate that we have become too attentive to the views of policymakers at all levels and that this had led to some shading of our analysis in some cases. Most of the people in this Directorate are sophisticated enough to understand that very few policymakers are unwise enough to call and pressure us directly. On the other hand, there is a constant, and it seems to me justifiable, concern that we will censor ourselves out of some misplaced desire to be helpful or to avoid offense, or that the pressures are even more subtle than that and involve our being co-opted or included in the inner-circle, if you will, by policymakers, thereby increasing our desire not to jeopardize that special access. Moreover, policymakers at all levels will often ask questions or levy tasking by framing the question in such a way as to increase significantly the odds of getting the response they seek -- that is, one supportive of what they

want to do. It seems to me that none of this should come as any surprise to us. It is only natural that a policymaker usually is going to seek support from us and not assessments that may undercut the very basis of his or her policy."

"What is important in this relationship between intelligence and policy is not what they seek from us or how they ask, but rather how we respond. The nature of our response, it seems to me, derives from what we think this intelligence business is all about in the first place. In the past there was a substantial school of thought in this Agency and in this Directorate that considerable distance should be maintained between ourselves and the policymakers to prevent the kind of subtle influences on intelligence by the policymaker that I have just described. Contacts with the policymakers even at senior levels were very limited and we essentially sailed our material over the transoms hoping that someone would find what we had to say of interest."

"If I learned one thing on the National Security Council Staff over a period of six years under three Presidents of both parties, it was that this approach was a waste of one of this government's most valuable assets: the analytical capabilities of CIA and the Intelligence Community. As was stated time and time again during those years, a significant percentage of intelligence provided to policymakers was neither timely nor relevant, opportunities were missed and policy mistakes made because intelligence analysts did not play their proper role."

"I believe that it is essential for this government to use as much of our analysis as we can possibly put in front of policymakers. This requires that we know when they are dealing with a given issue, that we know what points are in dispute, and that we engage ourselves deeply in the process -- not on behalf of one policy option or another but as objective observers of a given situation. Equally important, what we do must have credibility and utility in the eyes of the users. It must be seen by them as constructive, balanced, and open-minded, even if critical."

"We also need to bear in mind that our assessments are but one of many sources of information and analysis for a policymaker. We do not have a monopoly. Remember that he or she may have had frequent, direct contacts with the very foreign leaders whose motives or intentions you are trying to describe. Policymakers must weight the credibility of your argument against what they witnessed with their own eyes and heard with their own ears. And few policymakers easily discount their own experience or analysis -- especially in the face of contrary view by an unknown intelligence analyst of unknown skill and background."

Further, many of our consumers do not see us as objective, but as having a bias, a point of view of our own. Sometimes they are right -- we do occasionally fail to identify and set aside the biases we all have. And they are loathe to lay down their assumptions and biases only to accept what they see as ours. Finally, most policymakers, most of the time, want your facts and information but not necessarily your judgments or opinions. For all these reasons, it is essential that our work be well documented, that we lay out our evidence, that we express our judgments clearly and convincingly in the context of evidence, and that we watch the tone of what we say -- avoiding arrogant, all-knowing assertiveness."

"As you consider some of the questions or criticisms of your analysis by those of us who review it, keep in mind that we are not necessarily trying to second guess you; we do not distrust your skill, nor are we trying to keep bad news from policymakers. Rather, we are trying to ensure that the intelligence contribution is as useful, as believable and as persuasive as possible. We are trying to determine whether the case you have presented is the best we can do; if it is not, we are going to ask you to improve it. If we know the policymaker will be inclined to disagree with our assessment, then we intend to make it as difficult as possible for him or her to do so by virtue of our evidence, our logic, an open-minded, honest appraisal that acknowledges our uncertainties, and our skillful presentation. We may even consult with the policymaker before we write so that it is clear we have touched every base before drawing our independent conclusions."

"The IG has inspected several of our offices involved in some of the most controversial issues in the last year or two and has found no evidence of bias. The Product Evaluation Staff has investigated a number of the controversial areas such as Central America. There was some contention, suspicion and anguish, but no one who was involved in the process felt the final products had a policy bias or slant. Our Oversight Committees review such issues and you may have read the House Committee's report that the Mexico Estimate in fact represented all points of view fairly."

"While rumors of pressure are common and often true, rumors that we have succumbed to such pressure also occasionally crop up. They are inevitable, probably unstoppable, and almost always entirely wrong or distorted greatly. Your analytical bent of mind should lead you not to accept stories at face value but should stimulate you (if you are inclined to believe what you hear) to seek the facts from the author, the Product Evaluation Staff or others in a

position to know. You are right to be sensitive to the scent of politicization and to the integrity of our work; indeed, should you fall silent on the issue, it would be a bad omen. But sensitivity should not give way to paranoia."

"The bottom line is that we should not be offended if a policymaker asks a question in a prejudicial or pejorative way; neither should we write our analysis as though we have 'revealed truth.' And the more controversial the issue, the more essential it is to be certain that we have made every effort to ensure that the paper is as comprehensive and as candid as possible both to enhance its quality and to eliminate grounds for criticism to those who disagree with its findings."

"This business of dealing with policymakers from the standpoint of intelligence is complicated. To those in our ranks who raise their hands in horror, saying that the policymakers are putting pressure on us, I say what's new and what have you done in response. They will do what they have to do and we must do what we have to do. If we are to play our proper role, we must offer honest, objective evaluations framed in such a way as to enhance their value, credibility and usefulness to the policy community."

"It is a tough balancing act. It is an approach that tries to combine integrity and objectivity with an understanding that our purpose here is to help the policymaker and not to grade, judge, or criticize him or her. That help means often bringing unwelcome news or assessments -- which we do. But, if the policymaker won't read us or believe us because we present our case weakly, arrogantly or insultingly, we are wasting our time and the taxpayers' money. I am very proud of our record of combining analytical integrity and service to policymakers. You should be proud as well."

"Before leaving this matter of the relationship between us and the policymaker, let me say a few words about Mr. Casey's role. He is more intimately involved in your substantive work than you may realize. On current intelligence, while he has delegated to me day to day review of the PDB, you should know that many of the ideas for articles and items that appear in it are his and on a daily basis he meets with the PDB staff to review material that has been in the book, the reactions of the readers, items that are being planned and to offer his own suggestions. On longer term work, many of you have seen his influence directly, inasmuch as the ideas for some of our most innovative work have been his. He and the DDCI review the draft research program for each office with great care and

offer detailed comments. They are always aware especially of our most controversial work."

"While you presumably are aware that your unprecedented access to senior policy people is derivative of his access and influence, what you may not realize is the degree of protection he affords you and our independence. From reports on the performance of the Salvadoran military, to Soviet plans for chemical warfare, to the Siberian gas pipeline, to Lebanon, to Soviet defense spending and other issues too numerous to count where we have had unwelcome messages for policymakers, the Director has been our shield. I know that he often hears from senior officials when they are unhappy with our assessments, but not once in three years has he called me to complain or criticize or regret a piece of finished intelligence we have produced. He takes the heat. This shield is further buttressed by John McMahon who, when I once told him that a senior official had asked me if the DDCI was ready to get a call from his boss to block a controversial paper, replied "Is he ready for the answer he'll get?"

6. In the context of your first confirmation hearing, the Committee was provided a copy of a classified memorandum prepared by Graham Fuller to the Acting DCI, dated February 27, 1987 (NIC 00876-87). In that memo, Fuller alludes to a memorandum he had drafted which had gone to the DCI "by September of that year" (1985), which stated, in essence, that events in Iran were gradually moving away from the chaotic conditions foreseen in the May SNIE.
  - a. Please provide a copy of both the original memo and a sanitized version of it to the Committee.
  - b. Were you aware of this memorandum? If so, to what extent was it disseminated in the policy community? What role, if any, did you play personally in ensuring that others in the policy community were made aware of Fuller's assessment?

In reviewing records from the National Intelligence Council, I found two memoranda that could possibly meet the definition of reaching Mr. Casey by September 1985; one memorandum is dated 23 August 1985 and is entitled Toward a Policy on Iran; the second is dated 17 September 1985 and is entitled Iran-Iraq War. Based on the topic of Fuller's 27 February 1987 memorandum and looking at the statement "by September," I think it more likely that the memorandum in question is the 23 August 1985 document and I will answer accordingly.

Although I do not have a specific recollection, I was probably aware of the memorandum which I could have seen either in my

capacity as Chairman of the National Intelligence Council or as the Deputy Director for Intelligence.

On the question of the extent to which the assessments contained in Fuller's August 1985 memorandum were shared with the Community, I do not have any personal knowledge, but Fuller's own words from his 1987 memorandum are helpful:

"It is worth pointing out that Fuller has been actively involved in producing a continuum of personal analysis and 'think pieces' Mr. Casey's benefit all the while supervising Community analysis on ongoing Intelligence Estimates. These personal views have regularly been shared with appropriate analytical offices, and were regularly articulated at Community monthly Warning Meetings (emphasis added). The NIO's personal views have been well known -- as are the views of other key analysts. Nearly every NIO handles his job in the same way -- offering advice and counsel to Mr. Casey freely, informing the Community of his own analytical concerns and thoughts -- often in formative stages -- testing hypotheses, and bestirring the Community to constant consideration of alternative analytic views (emphasis added)."

I did not play any personal role in ensuring that others in the policy community were made aware of the views that Fuller expressed in this memorandum. Indeed, since the NIO's views are personal (as opposed to the more institutional views developed through the analytical process), it would be left to the NIO to share his views with the rest of the intelligence community, and staff level policymakers to the extent deemed necessary. A copy of the original memorandum dated 23 August 1985 is included in the classified annex. A sanitized version of this memorandum is not yet available.



United States

**Office of Government Ethics**Suite 500, 1201 New York Avenue, N.W.  
Washington, D.C. 20005-3917

ASG # 91-3091

July 1, 1991

The Honorable David L. Boren  
Chairman  
Select Committee on Intelligence  
United States Senate  
Washington, DC 20510-6475

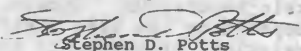
Dear Mr. Chairman:

In accordance with the Ethics in Government Act of 1978, I enclose a copy of the financial disclosure report filed by Robert M. Gates, who has been nominated by President Bush for the position of Director of Central Intelligence.

We have reviewed the report and have obtained advice from the Central Intelligence Agency concerning any possible conflict in light of its functions and the nominee's proposed duties.

Based on the foregoing, we believe that Mr. Gates is in compliance with applicable laws and regulations governing conflicts of interest.

Sincerely,

  
Stephen D. Potts  
Director

Enclosure



SP 278 (Rev. 1/91)  
5 CFR Part 2634  
U.S. Office of Government Ethics

## Executive Branch PUBLIC FINANCIAL DISCLOSURE REPORT

Form Approved  
OMB No. 3200-0001

<b>Reporting Status</b> (Check appropriate box) <input type="checkbox"/> Incumbent	<b>Calendar Year Covered by Report</b> 1990	<input checked="" type="checkbox"/> New Entrant, Nominee or Candidate	<b>Date of Appointment, Candidacy, Election, or Nomination (Month, Day, Year)</b> May 14, 1991	<input type="checkbox"/> Termination Filer	<b>Termination Date (If Applicable) (Month, Day, Year)</b>	<b>Agency Use Only</b>
<b>Reporting Individual's Name</b> Last Name Gates		First Name and Middle Initial Robert M.				<b>OGE Use Only</b> JUN 28 1991
<b>Position for Which Filing</b> Title of Position Director of Central Intelligence		Department or Agency (If Applicable) Central Intelligence Agency				<b>Fee for Late Filing</b> Any individual who is required to file this report and does so more than 30 days after the date the report is required to be filed, or, if an extension is granted, more than 30 days after the last day of the filing extension period shall be subject to a \$200 fee.
<b>Location of Present Office</b> (or forwarding address) Address (Number, Street, City, State, and ZIP Code) The White House, Washington, DC 20500		Telephone No. (Include Area Code) 202-456-2257				
<b>Position(s) Held with the Federal Government During the Preceding 12 Months (If Not Same as Above)</b>		<b>Title of Position(s) and Date(s) Held</b> Assistant to the President and Deputy for National Security Affairs				
<b>Presidential Nominee Subject to Senate Confirmation</b>		<b>Name of Congressional Committee Considering Nomination</b> Senate Sel' Cmte on Intelligence		<b>Do You Intend to Create a Qualified Diversified Trust?</b> <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No		
<b>Certification</b> I CERTIFY that the statements I have made on this form and all attached schedules are true, complete and correct to the best of my knowledge and belief.	<b>Signature of Reporting Individual</b> <i>Robert M. Gates</i>		<b>Date (Month, Day, Year)</b> May 30, 1991			
<b>Other Review</b> (If desired by agency)	<b>Signature of Other Reviewer</b> <i>Paul Helwig</i>		<b>Date (Month, Day, Year)</b> June 5, 1991			
<b>Agency Ethics Official's Opinion</b> The information contained in this report discloses no conflict of interest under applicable laws and regulations.	<b>Signature of Designated Agency Ethics Official/Reviewing Official</b> David P. Holmes		<b>Date (Month, Day, Year)</b> June 4, 1991			
<b>Office of Government Ethics</b> (Use Only if Applicable)	<b>Signature</b> <i>Stephen F. Voths</i>		<b>Date (Month, Day, Year)</b> July 2, 1991			
<b>Comments of Reviewing Officials (If additional space is required, use the reverse side of this sheet)</b>						
<p><b>Termination Filers:</b> The reporting period begins at the end of the period covered by your previous filing and ends at the date of termination. Part II of Schedule D is not applicable.</p> <p><b>Nominees, New Entrants and Candidates for President and Vice President:</b></p> <p><b>Schedule A:</b> The reporting period for income (BLOCK C) is the preceding calendar year and the current calendar year up to the date of filing. Value assets as of any date you choose that is within 31 days of the date of filing.</p> <p><b>Schedule B:</b> Not applicable.</p> <p><b>Schedule C, Part I (Liabilities):</b> The reporting period is the preceding calendar year and the current calendar year up to any date you choose that is within 31 days of the date of filing.</p> <p><b>Schedule C, Part II (Agreements or Arrangements):</b> Show any agreements or arrangements as of the date of filing.</p> <p><b>Schedule D:</b> The reporting period is the preceding two calendar years and the current calendar year up to the date of filing.</p>						

(If back has if statements are continued on the reverse side) ☐

Reporting Individual's Name		SCHEDULE A														Page Number									
Gates, Robert M.																2									
Assets and Income		Valuation of Assets at close of reporting period										Income: type and amount. If "None (or less than \$201)" is checked, no other entry is needed in Block C for that item.													
BLOCK A		BLOCK B										BLOCK C													
Identify each asset held for the production of income which had a fair market value exceeding \$1,000 at the close of the reporting period.  Identify each asset or source of income which generated over \$200 in income during the reporting period.  None <input type="checkbox"/>		None (or less than \$1,001)	\$1,001 - \$15,000	\$15,001 - \$50,000	\$50,001 - \$100,000	\$100,001 - \$250,000	\$250,001 - \$500,000	\$500,001 - \$1,000,000	Over \$1,000,000	Type						Amount				Date (Mo., Day, Yr.)  Only if Honoraria					
										Dividends	Rent and Royalties	Interest	Capital Gains	Excepted Investment Fund	Excepted Trust	Qualified Trust	Other (Specify Type)	None (or less than \$201)	\$201 - \$1,000		\$1,001 - \$2,500	\$2,501 - \$5,000	\$5,001 - \$10,000	\$10,001 - \$25,000	\$25,001 - \$50,000
5.	Central Airlines Common																								
10C	Example: Doe Jones & Smith, Hometown, USA																								
10D	Kempstone Equity Fund																								
10E	Doe Jones & Smith pension plan																								
1	Spouse Employment (Northern Virginia Community College)																								
3	IRA (Bank Deposits) Sovran Bank		X																						
3	IRA (Bank Deposits) Sovran Bank		X																						
4	Dominion Resources, Inc. (Common)	X								X															
5	US EE Savings Bonds (Face Value)		X																						

Reporting Individual's Name <div style="text-align: center; font-size: 1.2em;">Gates, Robert M.</div>	<div style="font-size: 1.5em; font-weight: bold;">SCHEDULE B</div> New Entrant/Nominee/Candidate: Schedule Not Applicable	Page Number <div style="font-size: 1.2em;">3</div>
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### Part I: Transactions

Report any purchase, sale, or exchange by you, your spouse, or dependent child during the reporting period of any real property, stocks, bonds, commodity futures, and other securities when the amount of the transaction exceeded \$1,000. Include transactions that resulted in a loss. Do not

report a transaction involving property used solely as your personal residence, or a transaction solely between you, your spouse, or dependent child. Check the "Certificate of divestiture" block to indicate sales made pursuant to a certificate of divestiture from OGE.

None ☒

B, DC or J	Identification of Assets	Transaction Type (x)			Date (Mo., Day, Yr.)	Amount of Transaction (x)										Certificate of Divestiture
		Purchase	Sale	Exchange		\$1,001 - \$15,000	\$15,001 - \$50,000	\$50,001 - \$100,000	\$100,001 - \$250,000	\$250,001 - \$500,000	\$500,001 - \$1,000,000	\$1,000,001 - \$5,000,000	\$5,000,001 - \$10,000,000	over \$10,000,000		
Example:	Central Airlines Common	x			2/1/91			x								
1																
2																
3																
4																
5																

### Part II: Gifts, Reimbursements, and Travel Expenses

Report the source, a brief description (including travel, dates, and the nature of expenses provided), and the value of: (1) transportation, lodging, food, or entertainment received from one source totaling \$250 or more (unless received as personal hospitality at the donor's personal or family residence); (2) other gifts from one source totaling \$100 or more in value; and (3) cash reimbursements of \$250 or

more from one source. Exclude gifts, reimbursements and travel expenses from the U.S. Government. Also exclude gifts from relatives, gifts of \$75 or less when aggregating gifts for the total from one source, and gifts and reimbursements received by your spouse or dependent child that were given totally independent of the relationship to you. See instructions for further exclusions.

None ☒

B, DC or J	Source (Name and Address)	Brief Description	Value
Example:	Natl Assn. of Rock Collectors, NY, NY	Airline ticket, hotel room & meals incident to national conference 6/15/90	\$500
	Natl Assn. of Rock Collectors, NY, NY	Leather briefcase for retiring president	\$125
1			
2			
3			
4			
5			

## Category of Amount or Value (x)

None ☒

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Reporting Individual's Name

Gates, Robert M.

## SCHEDULE D

### Part I: Positions Held Outside U.S. Government

Report any positions held during the applicable reporting period, whether compensated or not. Positions include but are not limited to those of an officer, director, trustee, general partner, proprietor, representative, employee, or

consultant of any corporation, firm, partnership, or other business enterprise or any non-profit organization or educational institution. Exclude positions with religious, social, fraternal, or political entities and those solely of an honorary nature.

None ☒

Example	Organization (Name and Address)	Type of Organization	Position Held	From (Mo., Yr.)		To (Mo., Yr.)
				602	Present	
	Doc Jones & Smith, Hometown, USA	Non-profit education Law firm	President Partner	3/88		1/91
1						
2						
3						
4						
5						
6						

### Part II: Compensation In Excess Of \$5,000 Paid by One Source

Report sources of more than \$5,000 compensation received by you or your business affiliation for services provided directly by you during the reporting period. This includes the names of clients and customers of any corporation,

firm, partnership, or other business enterprise, or any non-profit organization when you directly provided the services generating a fee or payment of more than \$5,000. You need not report the U.S. Government as a source.

Incumbent/  
Termination Filer/  
Candidate: ☐

Not Applicable

None ☒

Example	Source (Name and Address)	Brief Description of Duties	
	Doc Jones & Smith, Hometown, USA Moore University (client of Doc Jones & Smith), Hometown, USA	Legal services Legal services in connection with university construction	
1			
2			
3			
4			
5			
6			

# UNITED STATES

UNCLASSIFIED

TRANSCRIPT OF PROCEEDINGS

BEFORE THE

## SELECT COMMITTEE ON INTELLIGENCE

FULL COMMITTEE

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BRIEFING ON IRANIAN CA

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Friday, November 21, 1986

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WASHINGTON, D.C. 20510

UNCLASSIFIED

S  
E  
N  
A  
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E

**TOP SECRET**  
C O N T E N T S

A

STATEMENT OF:PAGE

William J. Casey,  
 Director of Central Intelligence,  
 --accompanied by--  
 Ambassador Michael H. Armacost,  
 Under Secretary of State  
 for Political Affairs,  
 and  
 Richard L. Armitage,  
 Assistant Secretary of Defense  
 for International Security Affairs

7

ALSO ATTENDING:

Richard Murphy, State  
 Jay Taylor, State  
 Chris Roth, State  
 Louise Hoppe, State  
 Dave Gries, CIA  
 David Doherty, CIA  
 Dan Childs, CIA  
 Clair George, CIA  
 Norm Gardner, CIA  
 Jean Gardner, CIA  
 Col. G. Jacumski, DOD  
 John Bolton, DOJ  
 Charles Allen, CIA  
 George Jameson, CIA

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BRIEFING ON IRAN

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Friday, November 21, 1986  
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United States Senate,  
Select Committee on Intelligence,  
Washington, D. C.

The Select Committee met, pursuant to notice, at 11:15 o'clock a.m., in Room SH-219, Hart Senate Office Building, the Honorable Dave Durenberger, Chairman of the Committee, presiding.

Present: Senators Durenberger, Roth, Murkowski, Specter, Hecht, McConnell, Leahy, Bentsen, Nunn, Eagleton, Boren and Bradley.

Also Attending: Senators Byrd, Moynihan, Warner and Mattingly.

Also Present: Bernard McMahon, Staff Director; Eric Newsom, Minority Staff Director; Daniel Finn, Chief Counsel; and Keith Hall, Edward Levine, Fred Ward, Jeff Smith, Judy Hodgson and Susan Salvucci, Staff Members.

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P R O C E E D I N G S

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2 THE CHAIRMAN: The hearing will come to order. I don't have  
3 a formal statement to make, and I would suggest that others might  
4 not also. Just for the information of the Members of the Commit-  
5 tee in particular who are here today, let me just say that as  
6 Chairman of the Committee, I was first -- I had my first conver-  
7 sation on the matter of -- that is before us today with Admiral  
8 Poindexter about, I think it was the Saturday right after the  
9 election -- I don't know the date exactly -- but sort of the first  
10 official confirmation and information to the Chairman of this  
11 Committee came several days after the Rafsanjani disclosure and  
12 the questions started to be asked by the media. I had no  
13 conversation with the Director of Central Intelligence on this  
14 subject until last Saturday when we talked on the phone.

15 Now, that is just to clarify my -- there were no efforts  
16 made to personally talk to the Chair of this Committee. At the  
17 staff level other conversations have gone on, and a certain  
18 amount of information has been shared.

19 Today, on behalf of the Committee, the Vice Chairman of the  
20 Committee, Pat Leahy, and I went down and spent I guess the last  
21 couple of hours with the National Security Advisor to the  
22 President. And let me say, he was totally forthcoming. If we  
23 had had -- we didn't finish all the questions that we had, but  
24 if we have more questions to ask, I have a feeling that he would  
25 have told us everything he possibly could tell us. I must also

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1 say that he doesn't have all the information that you might be  
2 interested in or that we might be interested in. But to the  
3 degree that he can develop that information, he will.

4 Some of the information, the questions that we asked relate  
5 to the Agency, and Bill Casey has that information and Admiral  
6 Poindexter is not necessarily in possession of it. But my feelin-  
7 coming away from that meeting is that John was trying to do  
8 everything he could to fully and adequately inform this Committee  
9 by responding to the questions and providing information that  
10 he had to your Chair and your Vice Chair.

11 I have every reason to believe from my conversations with  
12 the Director of Central Intelligence that he is prepared to do  
13 that today. He had to leave for a twice or three times post-  
14 poned trip to Central America, I think, on Sunday of last week,  
15 which is why we haven't been able to arrange face to face session  
16 before today. And I think this is the first day that Bill has  
17 been available to meet either with the House or the Senate  
18 Members.

19 So in large part, if there hasn't been more timely involve-  
20 ment, it is in part because the Finding said the Congress will  
21 not be informed, and in part that once it went public, we were  
22 not able to get schedules together more quickly to do what we  
23 want to do today until now. But I have every reason to believe  
24 from what the President has said, from the experience we had  
25 today and for several hours with John Poindexter and from what

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1 Bill has told me on the telephone and the staff to staff work  
2 that we have done in the last few days while Bill was in Central  
3 America, that this meeting should be able to answer, if we have  
4 the time, all of the questions that we have. If it doesn't  
5 answer all of our questions today, I am sure that Bill and other  
6 will be available. Ambassador Armacost and Mr. Armitage are als  
7 here to respond to whatever questions we may have of them.

8 Let me yield to Pat Leahy.

9 SENATOR LEAHY: Mr. Chairman, thank you. And I must also  
10 say from this side of the aisle I accept completely the Presiden  
11 has said he will have his Administration be totally forthcoming.  
12 I had some questions about some [REDACTED]  
13 and was told by the White House today those will be made avail-  
14 able. I had a couple of other areas where I had questions or  
15 have questions involving chronology or positions taken by people  
16 and again I accept and accept without reservation the assurances  
17 of the White House that those, too, will be available and the  
18 questions will be answered.

19 I -- and so I don't have any question but what all question  
20 that will be asked by Senators, certainly on this side of the  
21 aisle or Senators on the other side of the aisle, will be  
22 answered. What I would hope, we determine those answers, but  
23 I would hope that we also be a little bit prospective in this  
24 whole thing. I have felt and felt for a long time that one of  
25 the greatest threats that this country faces outside of nuclear

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1 war is the threat of terrorism, terrorism that can reach the  
2 point not just nabbing a few Americans, but such things as  
3 chemical weapons hitting large population centers and wreaking  
4 enormous havoc worldwide. And stopping that is not a Republican  
5 or Democratic issue. It is an issue of security of the country.

6 And I would hope that we could get this matter over with,  
7 answer all the questions, find out why this extraordinary procedure  
8 was followed cutting out Congressional oversight. Certainly  
9 each of us will have to speak to how we feel about the policy  
10 itself, of the shipment of arms to Iran and whether that was worth  
11 the candle. That is a different issue.

12 But then establish a sense that the oversight process will  
13 work as it was intended, as it should, as we want it to, and in  
14 doing that establish the kind of bipartisan policy that is  
15 necessary when you have something of this magnitude of controversy  
16 that would allow the President to say yes, we have talked about  
17 this, we all understood the risks, and we went into it together  
18 and now we are standing together on it. Certainly it gives a  
19 better view to the country and to the world and we may end up  
20 with a better policy all to boot. Three things that aren't such  
21 bad goals to have.

22 So I would hope that between us and the House we'll get those  
23 questions answered. Again, I accept the President's assurances  
24 given to us again today that the answers will be available and  
25 that there will not be anything withheld from us.

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1 THE CHAIRMAN: Any other comments from Members of the  
2 Committee or our guests?

3 If not, then I suggest we ask Bill to make his statement.  
4 After that, as is the rule on the Committee, by order of appear-  
5 ance the Members of the Committee, as follows: the Vice Chair;  
6 then Senator Hecht; McConnell; Roth; Eagleton; Specter; Bradley;  
7 Bentsen; Boren; Murkowski; and then our colleagues Moynihan;  
8 Mattingly; and Warner; and any others will have an opportunity  
9 to ask questions. Try to keep them to five minutes.

10 With that, Bill, thank you very much for being here today.  
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1 STATEMENT OF THE HONORABLE WILLIAM J. CASEY,  
2 DIRECTOR OF CENTRAL INTELLIGENCE,  
3 ACCOMPANIED BY:

4 AMBASSADOR MICHAEL H. ARMACOST, UNDER  
5 SECRETARY OF STATE FOR POLITICAL AFFAIRS,  
6 AND,

7 MR. RICHARD L. ARMITAGE, ASSISTANT SECRETARY  
8 OF DEFENSE FOR INTERNATIONAL SECURITY AFFAIRS

9 MR. CASEY: Thank you, Mr. Chairman and Members of the  
10 Committee. I am pleased to be here to talk to you about this  
11 Iranian undertaking. I spent a couple of hours with the House  
12 Committee til now, and I have agreed to go back there at 1:30  
13 and I will be glad to come back here if you need more time also.

14 For the last five years, both the national security  
15 community and the intelligence community have been keenly aware  
16 and constantly concerned about the geopolitical position and  
17 the strategic significance of Iran. Much thought and effort has  
18 been devoted to how we might develop contacts and relationships  
19 which provide a better understanding of what is happening in  
20 that country and establish contacts and relationships which might  
21 lead to improved relationship later on.

22 I recall speaking to [REDACTED]  
23 [REDACTED]  
24 about the importance of our identifying and establishing contact  
25 with future leaders in the future Iran. [REDACTED]

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1 [REDACTED] said that we do not know who will emerge  
2 to lead Iran in the future, but that we must gather all the  
3 strands and hold them in our hands so that we will be ready when  
4 the time comes.

5 Through a station in Europe [REDACTED]  
6 and under the authority of two separate Findings, that is about  
7 what we did for some four years. We had [REDACTED] contacts  
8 [REDACTED] but no real access to those in power there. In the  
9 early Fall of 1985, Bud McFarlane, after one of the weekly  
10 meetings which he and his National Security Advisor and his  
11 Deputy had with me and my Deputy, asked me to stay behind. He  
12 told me about discussions that he had had at the highest levels  
13 in Israel, those leaders urging the desirability of discussions  
14 with officials in Iran and offering what they thought were good  
15 channels of access. McFarlane said that for obvious reasons,  
16 only a handful of people in the Israeli and American governments  
17 knew about this effort.

18 He emphasized that the purpose of such discussion would be  
19 the future relationship with Iran, and Iran's great importance  
20 in the East-West and Middle East-Persian Gulf geostrategic  
21 equations, although as I will develop later, the terrorist  
22 problem was part of the dialogue.

23 CIA's involvement in this began in late November when the  
24 Agency was asked to recommend a reliable airline that could  
25 transport bulky cargo to an unspecified location in the Middle

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1 East. The requirements specified that it be reliable and able  
2 to move rapidly. A propriety of ours which regularly took on  
3 commercial ventures was designated. When the plane got to Tel  
4 Aviv, the pilots were told the cargo was spare parts for the  
5 oil fields and it was to go into Tabriz. Our [redacted] decided  
6 in order to protect the plan [redacted] should be  
7 asked to get flight clearances into Iran. This was done.

8 On 25 November 1985, the plane dropped the Cargo in Tehran.  
9 To the best of our knowledge, neither the Israelis nor the  
10 Iranians knew that they were dealing with a CIA propriety.  
11 The airline was paid the normal commercial rate, which amounted  
12 to approximately \$127,700. Now all this was authorized by Ed  
13 Juchniewicz, then the Deputy Director for Operations. I was our  
14 of the country at the time and the Deputy Director, John McMahon  
15 then in charge, approved the flight as an urgent mission in keep-  
16 with the propriety's normal business. But he directed that we  
17 would not provide any future flights into Iran in the absence  
18 of a Finding.

19 In the meantime, the Israeli proposal for probing the  
20 possibility of discussions with Iranian officials, including  
21 making small shipment of arms to establish our good faith and  
22 to adduce -- induce them to use their influence with those holdi-  
23 our hostages were discussed at meetings of the National Security  
24 principals in December and again in January.

25 There were differences of view here about the desirability

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1 of this initiative. But it was finally decided that it should  
2 be cautiously pursued.

3 On December 7th, 1985, Bud McFarlane, then the National  
4 Security Advisor, met in London with Israeli officials and the  
5 Iranian expatriate who was an intermediary to the Iranian govern-  
6 ment -- to a segment of the Iranian government -- the Prime  
7 Minister's office. At this meeting, McFarlane stated our goals  
8 of pursuing a relationship with Iran as these, fourfold: First,  
9 devising a formula for establishing a strategic relationship  
10 with Tehran; second, ending the Iran-Iraq war on honorable terms  
11 third, convincing Iran to cease its support for terrorism; and  
12 fourth, helping insure the territorial integrity of Iran and  
13 coordinating ways to counter Soviet activities in the area.

14 McFarlane made clear that in this relationship we would  
15 expect Iran to use its influence to achieve the result of Western  
16 hostages in Lebanon. He also made it clear that we were not and  
17 could not and would not engage in trading arms for hostages.  
18 This matter was discussed again several times with the President  
19 and others in the National Security community following the  
20 December McFarlane trip.

21 And on January 17th, 1986, a Presidential Finding was  
22 signed directing CIA to provide operational and logistical support  
23 for a program with three objectives. First, establishing a more  
24 moderate government in Iran. Second, obtaining intelligence to  
25 determine the current Iranian government's intentions with respect

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1 to his neighbors and with respect to terrorist acts. And thirdly  
2 furthering the release of American hostages held in Beirut and  
3 preventing further terrorist acts by these groups.

4 This Finding stated that the U.S. government would provide  
5 moderate elements within and without the government of Iran with  
6 arms, equipment and related materiel, in order to enhance the  
7 credibility of these elements in their efforts to achieve more  
8 moderate government ~~thef~~ by demonstrating their ability to  
9 obtain the resources they needed to defend their country.

10 In this Finding the President directed the CIA to refrain  
11 from reporting the Finding to the Congress until otherwise  
12 directed. The Finding was reviewed and concurred in by the  
13 Attorney General.

14 The the time this Finding was being drafted CIA's Office  
15 of General Counsel provided a legal opinion that the President  
16 has the authority to withhold prior notice of operations from  
17 the Congress, and the Attorney General concurred in that.

18 Section 501 of the National Security Act expressly provides  
19 that notification of intelligence activities to the Congress  
20 shall be provided, and I quote this, "to the extent consistent  
21 with all applicable authorities and duties, including those  
22 conferred by the Constitution," that's the end of the quote.  
23 The Act also states that the Intelligence Committees be informed  
24 of activities for which no prior notice was given at the appro-  
25 priate time as determined by the President. This was a clear

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1 recognition that extraordinary circumstances could lead the  
2 President to conclude that notice of an operation should be  
3 withheld in whole or in part.

4 The history of the Oversight Act shows an accommodation  
5 recognizing both the President's constitutional responsibility  
6 and authority, and the Congress's oversight responsibility and  
7 authority, was reached in the legislative process. The subse-  
8 quent procedures agreed upon by me as DCI and this Committee on  
9 reporting covert action operations provided that advanced  
10 reporting of such operation would also be subject to the excep-  
11 tional circumstances contemplated in Section 501 of the National  
12 Security Act which I have just touched upon.

13 So the President has instructed me to advise you of his  
14 conclusion that the activities authorized by the Finding  
15 justified withholding prior notification due to the extreme  
16 sensitivity of the dialogue being established. And he determined  
17 that if the fact of this program became known, those carrying  
18 out the dialogue, both U.S. and Iranian, and the American  
19 hostages in Lebanon, would be put at great risk.

20 There have been, in the history of oversight, only two  
21 Findings, in those ten years, which have not been briefed to  
22 the Congress. This is the second one. The first was the Iranian  
23 hostage rescue mission of 1980. That is very quickly the legal  
24 background of this decision.

25 Now, I would like to explain exactly what activities were

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1 undertaken by the CIA in carrying out the directive of this  
 2 Finding. On the 5th to the 7th of February 1986, U.S. officials,  
 3 NSC, a representative of the Israeli Prime Ministry, and a senior  
 4 level Iranian official in the office of the Prime Minister there,  
 5 met in Germany.

6 THE CHAIRMAN: The date again, Bill?

7 MR. CASEY: 5 to 7 February, 1986.

8 THE CHAIRMAN: 5 to 7 February 1986.

9 MR. CASEY: Right.

10 At this meeting the U.S. side emphasized the desire to enter  
 11 into a strategic dialogue with the Iranian side. The Iranians  
 12 raised their desire to receive the weapons -- to receive U.S.  
 13 weapons. The U.S. agreed to explore this possibility. Working  
 14 with the Israelis, the following mechanism for transfer of the  
 15 weapons was established.

16 First, the Iranian intermediary would deposit funds in an  
 17 Israeli account. The funds would then be transferred to a  
 18 sterile U.S. controlled account in an overseas bank. Using these  
 19 funds, the CIA would work with the Army logistics command to  
 20 obtain the material -- any material agreed upon. And the material  
 21 would then be transferred to Israel for future shipment to Iran.

22 Using these procedure, \$3.7 million was deposited in the  
 23 CIA account in Geneva on 11 February. This was for the purchase  
 24 of 1,000 TOW missiles and associated costs.

25 On 15 April, our Office of Personnel -- Personnel -- rather

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1 our Office of Logistics people delivered 1,000 TOW missiles to  
2 the Kelly Air Force Base in Texas. The missiles were then  
3 transported to Israel for onward shipment to Iran. CIA was not  
4 involved in the transportation of this shipment -- of this  
5 shipment.

6 On 19-21 February, the U.S. NS<sup>C</sup> and CIA and Iranian officia  
7 met again in Germany to discuss problems in arranging a meeting  
8 among higher level officials --

9 SENATOR BRADLEY: What's the date?

10 MR. CASEY: 19-21 February. At this later February meeting  
11 the U.S. side agreed to provide a thousand TOWS to Iran as a  
12 clear signal of U.S. sincerity and support to the faction we wer  
13 talking to. This delivery was commenced on the morning of 20  
14 February, and completed in two shipments to Tehran on 21 Februar  
15 Transportation from Israel to Iran was aboard a false flag  
16 Israeli aircraft.

17 On 24 February the same U.S. officials travelled to Germany  
18 where they met with the intermediary and an Iranian government  
19 official. At that meeting the Iranian official provided a list  
20 of varying quantities of approximately 240 different spare parts  
21 needed for the HAWK missile batteries provided by the U.S. gover  
22 nment to Iran during the Shah's reign. The Iranian official aske  
23 for U.S. government assistance in obtaining these spare parts as  
24 additional proof that this channel had the approval of the U.S.  
25 government.

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1 On 25 February the U.S. officials, as they continued to do  
2 in later contacts with the Iranians, provided the Iranians with  
3 limited information designed to encourage an Iranian decision to  
4 negotiate an end to the war and increase Iran's awareness of the  
5 Soviet threat to Iran.

6 During March and April, our Office of Logistics worked with  
7 the Defense Department to clarify the items on the Iranian's  
8 list of spare parts, and identify which items were in DOD stocks.

9 On 7 March CIA and NSC officials and Israeli representatives  
10 met with the Iranian intermediary in Paris to determine whether  
11 any further progress was possible in arranging for a high level  
12 meeting with U.S. and Iranian officials. During these meetings,  
13 the intermediary emphasized the deteriorating economic situation  
14 in Iran, and Iranian anxieties regarding increasing Iraqi  
15 military effectiveness.

16 Based on assurances that we could at last have -- meet  
17 face to face with top level Iranian officials, on 15 May the  
18 President authorized a secret mission to Tehran by former Nations  
19 Security Advisor McFarlane, accompanied by a CIA annuitant, a  
20 CIA communicator, members of the NSC staff, and the Israeli and  
21 Iranian interlocutors.

22 On 16 May 86 the Iranians provided \$6.5 million through an  
23 intermediary for HAWK spare parts and an additional 508 TOW  
24 missiles. The receipt of the Iranian funds set into motion the  
25 arrangements for the planned visit to Iran along the following

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1 lines.

2 First, the CIA Office of Communications provided secure  
3 communications equipment and the services of a communications  
4 officer to travel to Iran with the U.S. team. Our Office of  
5 Technical Services was tasked to provide 10 fabricated [REDACTED]  
6 passports for use by the team and the air crew of the aircraft  
7 that would fly from Israel to Tehran.

8 The Iranians insisted on the use of non-U.S. passports.  
9 [REDACTED] passports were chosen because the Israeli aircraft used  
10 for the journey carried an [REDACTED] registration number.

11 The Office of Logistics assembled the available HAWK missile  
12 spare parts at Kelly Air Force Base. The parts were then  
13 transported to Israel by a private contractor. And the Office  
14 of Logistics delivered 508 TOW missiles to Kelly Air Force Base  
15 for onward shipment to Israel by private contractor.

16 SENATOR BRADLEY: The date?

17 MR. CASEY: That was 16 May, I said before. 16 May.

18 On 25 May, the U.S. team traveled to Tehran via Israel. The  
19 CIA provided two members of the team, a communications officer  
20 and a Farsi speaking annuitant with considerable experience in  
21 Iranian affairs. He had been [REDACTED] in Iran earlier.  
22 He provided translation services and general advice to the team,  
23 and he continued to be involved in subsequent meetings with  
24 Iranian representatives.

25 The U.S. team brought a single aircraft pallet of HAWK miss.

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1 spare parts with them to Tehran at the time of the meeting.  
2 However, it was decided that the greater portion of the spare  
3 parts would stay in Israel for later delivery to Iran pending  
4 further progress in establishing the dialogue. We understand  
5 that those spare parts were ultimately delivered to Iran.

6 The 25-29 May meetings were held with high level Iranian  
7 officials, the first direct contact between the two governments  
8 in over six years. Mr. McFarlane and his team were able to  
9 establish the basis for a continuing relationship and clearly  
10 articulate our objectives, concerns and intentions. The group,  
11 in its discussions and observations there, was also able to  
12 assess first hand the internal political dynamic in Tehran and  
13 the effect of the war in Iran.

14 Using Presidentially approved terms of reference which had  
15 been reviewed and approved by appropriate Cabinet officers,  
16 McFarlane emphasized that our interests in Iran transcended  
17 the hostages, but the continued detention of hostages by a  
18 Lebanese group philosophically aligned with Iran prevented progress  
19 in developing the relationship.

20 During the visit, McFarlane made clear that we fundamentally  
21 opposed Iranian efforts to expel us from the Middle East, that  
22 we were firmly opposed to the use of terrorism, that we accepted  
23 their revolution -- we accepted their revolution, did not seek  
24 to reverse it -- that we had numerous other disagreements  
25 involving regional policies -- Lebanon, Nicaragua, and so on --

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1 but might also find areas of common interest -- particularly  
2 [REDACTED] through on-going dialogue.

3 On the 19th of September, these -- three Iranians traveled  
4 to the U.S. for detailed discussions with our people, the NSC  
5 people and our people -- two people I mentioned --

6 SENATOR BRADLEY: Who? Discussion with who?

7 MR. CASEY: Discussions with the annuitant I mentioned and  
8 the head of our NE division, and also with some NSC officers.  
9 These discussions reaffirmed the basic objectives we were seeking  
10 in this political dialogue with Tehran.

11 Throughout August and September numerous additional meetings  
12 were held in Europe between U.S. representatives and the new  
13 Iranian contacts in an effort to develop the dialogue authorized  
14 by the Finding.

15 On 6 October those Iranians traveled to Frankfurt for  
16 meetings with the U.S. team. CIA Directorate of Operations  
17 officers [REDACTED] obtained hotel rooms for those  
18 meetings. The Office of Technical Services mounted an electronic  
19 surveillance operation against the Iranians.

20 On 26 August more meetings were held in Frankfurt with the  
21 same participants. CIA provided the same support as in the  
22 October 6 meetings. The Iranians proffered and the U.S. accepted  
23 the offer of a Soviet T-72 tank captured from Iraq. We under-  
24 stand that is held up in the Soviet port right now -- rather than  
25 Iranian port.

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On 2 November 1986, the Iranians provided \$2,037,000 and the Office of Logistics procured 500 more TOW missiles from the Defense Department. Those missiles were delivered by the Office of Logistics to Kelly Air Base on 6 November, and a U.S.A. Air Force C-141 aircraft carried the missiles to [REDACTED] where they were transshipped by a CIA air proprietary aircraft which carried the missiles to Israel.

This brings the record -- completes the record of CIA involvement in these activities which were authorized by the Presidential Finding of 17 January 1986, brings it up to date to the present time.

In summary, a total of 2,008 TOW missiles along with various HAWK missile spare parts have been delivered under this Finding. A thousand TOWs were delivered in February 1986, 508 in May 1986 and 500 in November 1986. You should note that none of the weapons came from CIA stocks. We received no requests to acquire any more material of any type for shipment to Iran under this program.

I would like to reiterate that the funds for the procurement of the materiel I have enumerated as well as all for associated costs were provided by the Iranians themselves. Funding from Iran was transferred to CIA for deposit in a covert funding mechanism. This action provided secure means for control, payment and accountability of all funding associated with this program. The Iranian funds totalled \$12,237,000, were deposited

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1 into a special account in a Swiss bank. The only costs incurred  
2 by CIA in this activity were expenses for the travel of CIA  
3 officers involved in these various meetings and the costs of  
4 the hotel rooms obtained by our [REDACTED] officers for the  
5 two October meetings held in Germany, and operational support  
6 such as the audio operations, amounting to approximately  
7 \$48,000. The costs of this support have been charged against  
8 normal operating accounts. Since all travel by CIA officials  
9 routinely charges such accounts, to do otherwise in the trips  
10 undertaken during this program would have compromised the  
11 security of the activities.

12 So I am confident, gentlemen, that this testimony is complete  
13 as to the basic facts of CIA's involvement, but let me assure  
14 you that we are still combing our records, and we will promptly  
15 report any new information that comes to light.

16 That is the account of the activities of the CIA.

17 SENATOR BYRD: Mr. Chairman, may I ask a question?

18 THE CHAIRMAN: Yes, certainly.

19 SENATOR BYRD: What is the policy of this Committee with  
20 respect to putting witnesses under oath.

21 THE CHAIRMAN: I can't answer that. Bernie, what is the  
22 policy? I imagine it is the judgment of the Committee if they  
23 want to do that.

24 MR. McMAHON: We have not done that in the past?

25 SENATOR BYRD: Why don't we do that? I say this without

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any reflection on this witness or any other witness. But this is an exceedingly important matter, and it goes to the future of our foreign policy, how it is conducted, how it is carried out, who carries it out, and I believe that the Committee ought to put all witnesses under oath in the course of this investigation or these hearings.

THE CHAIRMAN: Well, Mr. Leader, let me first say I have been on this Committee for eight years and I have never had the experience of a witness being placed under oath. The business of this Committee is not normally conducted in a special investigative process. We in effect are, besides being an authorizing Committee, are in large part a substantial oversight Committee, as you well know since you were involved in helping create the Committee.

Part of that oversight process is a continual investigation if you will, of special activities about which there is some doubt, and this is one of them. I just have a natural -- while I have an incredible amount of respect for you particular -- for you and your request, particularly since you were involved in setting this up, I have a certain degree of hesitancy as the Chair of the Committee, of breaking what appears to be 10 years of precedent and asking the Director of Central Intelligence, who is presumed to come in here, whether he is or not under oath, and tell us the truth, to take an oath.

Now, if the Members of this Committee, given that background

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1 decide that they want to set a precedent in this particular case.  
2 or go into some new procedure, I am only the Chair of the  
3 Committee; I am giving you my view after eight years. The  
4 presumption is that all witnesses, but in particular, I think,  
5 the Director of Central Intelligence, is going to be fully  
6 responsive, as though he were under oath.

7 SENATOR BYRD: Mr. Chairman, I join in that presumption,  
8 and as I say my request is not based on anything other than that  
9 presumption. And as to precedent, there has to be a precedent  
10 at some point in time. I don't think that we ought to continue  
11 just because there has been no precedent. If in the judgment of  
12 the Committee that should not be done in this instance, that --  
13 of course, I abide by that.

14 But there come times in the course of our history and issues  
15 such as we have before us today that do require that we are able  
16 to establish the truth, the full truth, and nothing but the truth.  
17 And as far as I am concerned, it seems to me that you may have a  
18 number of witnesses that will follow on, and that some may have  
19 to be called back.

20 I will not be conducting the hearings of this Committee as  
21 Chairman of it; I am an ex officio member. But you may look  
22 back at some future time and wish that you were able to resolve  
23 some conflicting statements and it might be to the credit of  
24 the Committee, and certainly not in denigration of any particular  
25 witness at this point, that the Committee decided, on this

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1 particular issue at least, regardless of whether or not there is  
2 a precedent, to have witnesses sworn. In my judgment, that is  
3 no reflection on any witness. It seems to me to be the responsibility  
4 of this Committee.

5 And I can remember when, as a Member of the Judiciary  
6 Committee, I had to ask the Chairman of the Committee to put the  
7 Attorney General of the United States under oath. And the  
8 Chairman of the Committee was a Democrat. The Senate Democrats  
9 were under control, and I felt that we ought to put him under  
10 oath on that particular occasion. And it had to do with the  
11 conduct of the hearings during the Watergate episode, and of  
12 course, this had all been preceded by the hearings that were  
13 conducted on the nomination of Patrick Gray to be FBI Director.  
14 And in that instance I think that I was justified in asking. And  
15 I feel that in that in the course of events we may look back and  
16 feel that we ought to have done it here. There would certainly  
17 be no harm done. It is no reflection on anybody's honesty. And  
18 I don't presume that Mr. Casey or anybody else who comes here  
19 is going to say anything other but the truth. But it seems to  
20 me that at least the question ought to be raised and I have  
21 raised it, and as far as I am concerned, the precedent could  
22 begin now.

23 THE CHAIRMAN: Well, let me just say for the -- and maybe  
24 by way of a suggestion to you -- this is the first opportunity  
25 we have had as a Committee to hear from anyone on this subject.

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1 Regardless of the presumption around oath taking, there is no  
2 question about the fact that this will be the first time that we  
3 swore a witness. I understand Mr. Casey to be available to us  
4 at any time, as most other witnesses except those that might  
5 exert Executive Privilege, would be available to us. I am  
6 certainly open as Chair to your suggestion being made in your  
7 capacity as ex officio member of this Committee or in your  
8 capacity as Democratic leader of the Senate, or in any other  
9 capacity, at such time as this Committee, with you participating,  
10 comes to some judgment after today's presentation by the  
11 Director, that we ought to have an ongoing investigation; that  
12 we perhaps ought to call other witnesses in addition to the DCI.  
13 So I would like to make that to you by way of a suggestion,  
14 which is not to get myself or the Committee off a little hook  
15 that you may have constructed for us here or I may be interpreting  
16 as a hook, but to leave open the question that you raised.  
17 Because it is an appropriate question. We start, all of us,  
18 from the presumption that the relationship between the people  
19 who by reason of their position are out here, and the people who  
20 by reason of their appointment to this Committee sit here, is one  
21 of full trust and confidence and openness. And yet by experience  
22 the members of this Committee know that the word "forthcoming"  
23 and "totally and adequately informed" is not always a word that  
24 we associate with all of the meetings that take place in this  
25 room.

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1 And I was about to read, in the form of a question to the  
2 Director, I was about to read a speech that you made on the Floor  
3 in your capacity as Majority Leader back in 1980, when Section  
4 501 and the rest of it became the law of this land. I think  
5 this is a different case. This is not just a report on a covert  
6 action. This is a test of the law of the land. And so I do not  
7 take lightly at all your suggestion that perhaps all witnesses  
8 in this case might appropriately be under oath, but I would  
9 suggest that for today and for the purposes of the Director's  
10 laying out what we asked him to lay out, that you might withhold  
11 that.

12 SENATOR BYRD: Well, Mr. Chairman, I think you make a very  
13 reasonable suggestion as to the approach here, and I think that  
14 I have nothing to say in opposition to that suggestion. However,  
15 let me say for the record, I did not make this proposition to  
16 put the Chairman on the hook. I don't have to resort to that.  
17 I don't want to resort to that. And I think I have already  
18 indicated that this is not the first time I have asked a Chairman  
19 to put witnesses under oath. And the only other time I did it  
20 was with regard to the late Senator Jim Eastland, a Member of my  
21 own party -- if our imagination is getting us into the nether  
22 nether world of partisan politics -- when I urged him to put the  
23 Attorney General of the United States under oath.

24 So it was no desire to put the Chairman on the hook or to  
25 put Mr. Casey on the hook. I presume Mr. Casey is telling the

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1 truth and the facts. But my explanation of my reasons is already  
2 on the record, and I won't repeat it here. But I think the  
3 Chairman has made the reasonable suggestion that we go forward  
4 today, and I am perfectly in accord with that.

5 THE CHAIRMAN: Thank you very much. I just make, by way  
6 of observation to my reference to the hook, it has been my  
7 observation that this Chairman and his two predecessors have a  
8 constant hook hanging behind them, and that is the nature of the  
9 business that we are engaged in. That is particularly true when  
10 matters that we would much prefer dealing with in the privacy  
11 of this Committee are being dealt with in public.

12 SENATOR BYRD: I much prefer to help you get off any hook  
13 that may be hanging behind you.

14 THE CHAIRMAN: Now, if I may, Bill, I have just one question  
15 and then I am going to yield to my colleagues, as I indicated.

16 You pointed out in your statement that you and the President  
17 were operating under Section 501(a)(1) of the National Security  
18 Act of 1947 as amended in 1980 by the Intelligence Oversight  
19 Act of that year. That law clearly provides the relationship between the  
20 Executive and the Legislative Branch with regard to special  
21 activities such as we are involved here, and says, "the Director  
22 of Central Intelligence and the heads of all departments, agencies  
23 and other entities of the United States involved in intelligence  
24 activities shall" keep the Intelligence Committees fully and  
25 currently informed of all intelligence activities including

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1 significant anticipated intelligence activities. Then points  
 2 out that if the President determines it is essential to limit  
 3 prior notice to meet extraordinary circumstances affecting vital  
 4 interests of the United State, such notice may be limited to the  
 5 shall be limited to the Chairman and ranking minority Members  
 6 of the Select Committees, Speaker and Minority Leader of the  
 7 House of Representative, and the Majority and Minority Leaders  
 8 of the -- of the Senate.

9 Then the law goes on, or the debate, let's say, around the  
 10 formulation of this law in 1980, in particular, goes on to set  
 11 up two what are called preambulatory conditions on Section 501(a)  
 12 authority. One you have already referred to, I believe, and  
 13 that is the constitutional problem. The fact that neither the  
 14 Executive or the Legislative Branch in this wonderful Constitution  
 15 of ours, is able or willing or has conceded to the other the  
 16 line of demarcation between the two branches with regard to the  
 17 issue of -- well, the issue we are dealing with in this particular  
 18 case with regard to covert action or special activities engaged  
 19 in by the President or the Executive Branch.

20 But it is quite clear from all of the legislative history  
 21 surrounding this area -- and this is the point at which I wanted  
 22 to cite the comments on the Floor of the then-Majority Leader  
 23 Robert Byrd, who stated that the language recognizes a quote,  
 24 "buffer zone," end quote, of overlapping constitutional powers  
 25 between the Legislative and Executive Branches, a zone in which

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1 both branches might claim the right to intelligence information.  
2 He said the bill wisely does not seek to resolve all of these  
3 potential conflicts. Nevertheless -- nevertheless the President  
4 bypasses the procedural provisions of this bill and moves into  
5 this gray constitutional buffer zone at his peril. This is because  
6 the presumption of this bill is that prior notice must be given  
7 to Congress, period.

8 Now, I think as long as I have been on this Committee, I  
9 have never heard anyone question that statement. I mean, it is  
10 a very clear, succinct, to the point, articulate statement of  
11 the buffer zone, the twilight or the gray area, but, importantly  
12 I think in a constitutional sense, to the presumption that the  
13 President steps over the requirement to prenotify, or the  
14 restricted requirement to prenotify on the eight and to do so in  
15 a timely fashion, only at his peril. And we now -- now have a  
16 different appreciation, I think, in this case, of the peril.

17 Let me ask you Bill, since you were involved in meetings in  
18 November and December of 1985. You met with the President on  
19 December 7th at the -- no, you weren't there. You weren't  
20 present. John McMahon was present --

21 MR. CASEY: Yeah, John McMahon was there.

22 THE CHAIRMAN: -- on December 7th in the President's  
23 residence at which this was discussed in detail. But I believe  
24 you were present at other meetings including the meeting on  
25 January 7th --

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MR. CASEY: That's right.

THE CHAIRMAN: -- at which the decision was taken to prepare a Finding, and the subsequent meeting in Admiral Poindexter's office on January 16th at which Stan Sporkin's Finding and his judgment relative to not raising the -- or not informing the Congress were all discussed. According to Admiral Poindexter there was no disagreement on the issue that the Congress should not be informed.

Now, let me just ask you -- you're the pro around here on this relationship -- let me ask you why you felt that it was appropriate to put the President in peril in this particular case by going along with the Finding that said there will be no notification of the Congress?

MR. CASEY: I agreed with the prevailing view --

SENATOR BRADLEY: Could you speak into the microphone.

MR. CASEY: Yeah. I agreed with the prevailing view that this was an especially sensitive undertaking, which if any word of it got back to the Iranians, would jeopardize the people who we were dealing with, would perhaps result, and likely on the basis of experience, the past record, be likely to result in their execution, and I agreed that this wasn't the kind of risk that we wanted to take at this -- on this particular matter at this time.

THE CHAIRMAN: What was your assessment of the risk of exposure to the more radical factions in Iran of the same

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1 information in terms of executions and so forth? If the Congress  
2 was a problem to you, why --

3 MR. CASEY: It wasn't the Congress was a problem but --

4 THE CHAIRMAN: was not Mantezani and some more radical  
5 elements in Iran a comparable problem to you?

6 MR. CASEY: The Congress wasn't a problem. The problem was  
7 the information getting out into the hands of the radical  
8 factions in the Iranian government, knowing that this was going  
9 on, knowing that they had people in their government who were  
10 talking to us.

11 THE CHAIRMAN: But how does pre-notification of the Congress  
12 put information in the hands of the Iranian radicals who wouldn't  
13 get that information from the fact that Bud McFarlane was touring  
14 the front in Iran and Ernie Oney and various other people were  
15 traipsing in and out of Iran?

16 MR. CASEY: Just a matter of the more people that know it  
17 the more likely it is to get around.

18 THE CHAIRMAN: Well, I'll pursue that later. Pat Leahy.

19 SENATOR LEAHY: Thank you, Mr. Chairman. A couple of  
20 questions come to mind and I have raised these before. For what  
21 it is worth, my estimation of timely notice does not mean 11  
22 months. It is the kind of notice where something happens in the  
23 middle of the night or on a weekend or something like that, and  
24 you have to -- the President has obviously got to have some  
25 flexibility, lets us know shortly thereafter.

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1 Mr. Casey, did you at any time urge the President or anybody  
2 else in the Administration to make this notice more timely than  
3 the 10 or 11 months that it turned out to be?

4 MR. CASEY: No, I did not. Let me -- I would like to say,  
5 Mr. Vice Chairman, that timely notice in this -- depends upon  
6 the circumstances, as I interpret that.

7 SENATOR LEAHY: I know, and I understand that the Adminis-  
8 tration's interpretation of timely differs from mine. I am not

9 MR. CASEY: Okay.

10 SENATOR LEAHY: There was a report in the newspaper the  
11 President gave you a letter saying not to report it. Is that so  
12 or was his request only in the Finding itself?

13 MR. CASEY: I received no letter. We discussed it and it  
14 was in the Finding.

15 SENATOR LEAHY: I know and that -- I have seen the Finding,  
16 as you know. In fact, you and I were at the same meeting.

17 On November 25th a plane owned by a CIA proprietary  
18 delivered 18 HAWK missiles from Israel to Iran. I  
19 discussed this at some length with Admiral Poindexter this  
20 morning. You referred to it here. The Admiral did not have  
21 any details of it. I think he said that he learned of this  
22 only yesterday, this shipment by a CIA proprietary of these  
23 HAWK missiles. Now, did the CIA know what was on that aircraft,  
24 that November 25th 85 aircraft?

25 MR. CASEY: There is some question about that. I was told

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1 yesterday the CIA didn't know it until later on.

2 SENATOR LEAHY: Did not know until later on?

3 MR. CASEY: Did not know until later on. Did not know until  
4 the Iranians told them some time in January by way of complaining  
5 about the inadequacy of whatever was delivered.

6 SENATOR LEAHY: Can I just pursue that a bit further. Are  
7 you telling me that the CIA owns a proprietary, delivers 18  
8 HAWK missiles using that airplane, and didn't know what was on  
9 the airplane.

10 MR. CASEY: That is quite possible.

11 SENATOR LEAHY: I cannot conceive of any country, any other  
12 country -- well, let's take Israel; it is coming from Israeli.  
13 I can't believe that the Israelis, if they owned such a plane,  
14 and were to ship for us a HAWK missile somewhere, they would not  
15 only know what were on there, probably would know the serial  
16 numbers of every part of them.

17 MR. CASEY: Well, this was hastily arranged. The people  
18 running the airplane were told that they were oil field parts.  
19 And I am not at all certain that somebody didn't know what they  
20 were, but I haven't been able to ascertain that, and I have  
21 refrained from being explicit about it in the statement because  
22 I want to look at that further.

23 SENATOR LEAHY: I am no expert on either oil fields or  
24 HAWK missiles, but I suspect I could tell the difference.

25 MR. CASEY: Well, I don't know whether I could or not.

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1 SENATOR LEAHY: I think so, unless they are drilling with  
2 a pretty --

3 MR. CASEY: I suppose it would depend on how they were  
4 packaged.

5 SENATOR LEAHY: Was there a legal authority for the CIA to  
6 ship U.S. origin arms from Israel to Iran?

7 MR. CASEY: Well, as I said, the Deputy Director and the  
8 Deputy Director of Operations felt that this shipment was within  
9 the normal course of the proprietary's activity of picking up  
10 cargo and moving into other countries.

11 SENATOR LEAHY: Well, let me back a bit from that. You say  
12 Mr. George felt that it was in a part of their normal proprietary  
13 activity. Let us assume -- let us assume that somebody said we  
14 have -- we want to ship TOW -- or HAWK missiles from Israel to  
15 Iran, want to use your proprietary. Would there be legal  
16 authority for the CIA to ship such U.S. origin arms from Israel  
17 to Iran.

18 MR. CASEY: That is a question that I am disinclined to  
19 answer myself. There are two reasons why there might not be  
20 legal authority. One would be that it would be perhaps a violation  
21 of the export restriction law, the embargo against arms shipment.  
22 The other reason would be the contention that this was not an  
23 intelligence operation, and therefore the CIA should not be  
24 involved in it unless it gets -- there's a Finding. But that is  
25 rather difficult to apply when you have proprietaries conducting:

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1 commercial operations. They are just doing ordinary commercial  
2 business, and we are not scrutinizing or making judgments on  
3 each shipment.

4 SENATOR LEAHY: Now neither you nor Mr. George nor anybody  
5 else --

6 MR. CASEY: It wasn't Mr. George; it was Mr. Juchniewicz,  
7 the Deputy at that time.

8 SENATOR LEAHY: Mr. Juchniewicz, I see. Then neither you  
9 nor Mr. Juchniewicz or anybody else would have to make that  
10 decision if you did not know they were HAWK missiles, is that  
11 correct? You would not be forced to have to even raise the  
12 question? I mean, the questions you raised are similar ones  
13 that most of us have raised.

14 MR. CASEY: Well, in this case it was not raised. It was  
15 done very quickly; there was an urgency about it. There was  
16 sufficient sensitivity about whether we had done the right thing  
17 there that McMahon, then the acting Director, I being out of the  
18 country, said any more shipments like this, we are going to  
19 require a Finding -- into Iran.

20 SENATOR LEAHY: Now, this is a proprietary that often would  
21 ship produce, chickens --

22 MR. CASEY: Yeah.

23 SENATOR LEAHY: But certainly -- I mean, these boxes weren't  
24 being put on them with air holes and they weren't clucking.  
25 I mean, I don't mean to make it ridiculous, but the point is do

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1 we have so little control over our proprietaries that when  
2 material is shipped from Israel to Iran, we can't figure out  
3 what it is, just from a pure intelligence point of view? I  
4 mean, would it not be part of a normal intelligence gathering  
5 operation to know what was being shipped into Iran?

6 MR. CASEY: It would seem that way. Only thing I can say  
7 is that it apparently moved so rapidly and there was such urgency  
8 about it that they didn't inquire into that particular shipment.

9 SENATOR LEAHY: But Israel wanted a secure airline. They  
10 thus wanted to bring the United States into the loop. Didn't  
11 the question arise at some level in the CIA to say why? What  
12 is on there? What is so important that it has to go on a  
13 secure airline, that the CIA has to be brought in, that the  
14 United States is involved?

15 MR. CASEY: Well, all I can say on that is that the request  
16 came from the NSC and they had an urgency with respect to a  
17 meeting that was to take place in Geneva that the guys who were  
18 handling this didn't know anything about or didn't know enough  
19 about.

20 SENATOR LEAHY: But my concern is that the NSC says now that  
21 they didn't know what was going on and that it just found out  
22 that the CIA sent that flight over, and they are trying to figure  
23 out why nobody knew what was on it, and now the CIA says well,  
24 we did this because the NSC requested it, and we didn't know  
25 exactly what they wanted. Do you understand why somebody raised

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1 the question was whether there was just plausible  
2 deniability being set up here.

3 MR. CASEY: Hadn't thought about it. I hadn't thought  
4 about it.

5 SENATOR LEAHY: Well, there is a concern and I suspect that  
6 the question will continue to be asked whether -- because we hav  
7 other proprietaries of various natures and various types of  
8 things around the world, most of us assume as we look at some  
9 of the funding mechanisms for some of these, that one of the --  
10 that they are available not only for their operational contin-  
11 gencies, but available for their intelligence gathering abilitie  
12 especially going into Iran where you know better than any of us  
13 here how difficult it has been to gather any kind of hard  
14 intelligence, either in their economy, their military plans or  
15 anything else. And here is a major shipment of heavy material -  
16 obviously very heavy material -- going into Iran in a CIA  
17 proprietary.

18 The question I ask, and I would hope that the Agency will  
19 give me a very full, clear, specific answer, is did they know at  
20 the time, and if they didn't know at the time, why not?

21 MR. CASEY: Well, I have inquired into that myself, and  
22 have been told, and as far as I can find out, the Agency did not  
23 know what it was handling at the time. Now, I am still going  
24 to inquire further into that.

25 SENATOR LEAHY: [REDACTED] showed Iran was expectin

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1 an arms shipment at [REDACTED] time.

2 MR. CASEY: Yeah, but this happened very quickly.

3 SENATOR LEAHY: Beg your pardon?

4 MR. CASEY: This happened very quickly and [REDACTED]  
5 didn't get looked at for some time.

6 SENATOR LEAHY: Thank you. I would consider that we'll  
7 follow on that -- Mr. Chairman, I don't want, Dave, to put the  
8 Chairman on the spot, and I have not mentioned this to him, but  
9 I know in a unique type of meeting like this, both the Republic  
10 and Democratic leader have been invited, and I wonder if it would  
11 not be appropriate that either one of them here at any time, if  
12 Senator Dole comes, Senator Byrd is here now, that they be allowed  
13 to ask questions out of turn.

14 THE CHAIRMAN: I did -- I just discussed that with the  
15 Democratic leader.

16 SENATOR LEAHY: Okay, you're way ahead of me.

17 THE CHAIRMAN: He has to depart in maybe a half hour or  
18 40 minutes or so, but he asked that he would defer to others  
19 who arrived before him, just so at some appropriate time we would  
20 recognize him.

21 SENATOR BYRD: I thank both the Chairman and the ranking  
22 member.

23 THE CHAIRMAN: The first arrival is Chic Hecht.

24 SENATOR HECHT: I would be happy to defer to the distinguished  
25 Majority Leader if he would so wish.

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1 SENATOR BYRD: Well, the Senator is very kind. I really  
2 have a little time, and I would prefer not to intrude before  
3 others until I have to go, and I am very grateful.

4 SENATOR HECHT: Mr. Casey, obviously this has created a lot  
5 of problems and we are looking at different accusations. And I  
6 have been reading the morning papers and it seems like so many  
7 people are already confessing, so I think we have to go into it  
8 and look this whole thing over. But in the broader context,  
9 I want to ask you a few questions.

10 Obviously we derive so much from Third World countries, and  
11 sometimes that is our only source of information, and other  
12 countries go through intermediaries in order to contact us. Do  
13 you feel if we continue on the front pages of the papers, this  
14 type of investigation is going to hurt our contacts with people  
15 in the future from other countries that we do not have diplomatic  
16 relations with?

17 MR. CASEY: Oh, I think we have already seen that with  
18 respect to this incident. I am not sure how long it could have  
19 been kept quiet. But the fact that it has gotten out has, I  
20 think, turned off some things they seemed to have been prepared  
21 to do for us.

22 SENATOR HECHT: What about the future? How would you  
23 analyze that?

24 MR. CASEY: Well, I think I still would keep open the  
25 channels and still would try to bring them around into a more

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1 cooperative mode as long as there is any hope of doing that.  
2 I wouldn't write it off at this point.

3 SENATOR HECHT: What's that?

4 MR. CASEY: I wouldn't write it off at this point.

5 SENATOR HECHT: But do you feel that if we continue this  
6 investigation out in the open, I mean not in the confines of  
7 this room, but out in the open, this would jeopardize your  
8 operation in the future.

9 MR. CASEY: I think it would make it more difficult, if we  
10 investigated an open investigation. I think we'd do better to  
11 investigate it quietly in the usual way.

12 SENATOR HECHT: What type of plans are you making to  
13 investigate in a quiet way?

14 MR. CASEY: Well, we have been busily getting all the  
15 information together, able, ready, to answer any questions and  
16 present the whole picture to any authorized inquiring body, of  
17 which this is clearly one. I talked to the House this morning,  
18 the House Committee. I think we will continue to look for  
19 additional information, and as we come across it, we will bring  
20 it to the attention of the oversight committees. I don't know  
21 that we will, but we will certainly work that way.

22 SENATOR HECHT: I feel very strongly that you must pursue  
23 these contacts and these tips that you get from these different  
24 countries. And I would hate to every jeopardize that, and what  
25 I can see, the tip you got from the Israelis is not a lot

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1 different than the tip that was given many, many years ago about  
2 China, that they wanted to open up their relations with us, and  
3 look what has happened to that. So you have got the pros and  
4 the cons, and I feel that if you continue to pursue this and  
5 get the facts to the Committee, that we would be better served  
6 than we would by making a full scale investigation out in the  
7 open. I don't say that we should not stop, but I feel we should  
8 keep it in the confines of this room. How do you feel about  
9 that?

10 MR. CASEY: Well, I think it is always better from the  
11 intelligence standpoint to do these things quietly, and not put  
12 everybody on their guard.

13 SENATOR HECHT: I really have no further questions.

14 THE CHAIRMAN: Thank you very much. Mr. McConnell.

15 SENATOR McCONNELL: Bill, as you know, there is no exception  
16 to the prior notification requirement. But it was anticipated  
17 that in rare circumstances the President might withhold that  
18 notification, and then inform us in a quote, "timely fashion,"  
19 end quote, with a proper explanation. What does timely fashion  
20 mean to you?

21 MR. CASEY: Well, I think timely is when the risk which  
22 has caused you to withhold notification in the first place is  
23 no longer present. President Carter was rather specific about  
24 that when we told Director Turner to provide information about  
25 the rescue mission in Iran as soon as he felt the risk was no

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1 longer present. And I think I would view this the same way. As  
2 soon as we felt that the President determined that the risk which  
3 caused him to ask to suspend notification in the first place is  
4 no longer present, he would direct that the Committees be advised  
5 of the activity. Now, this would go on as long -- perhaps as  
6 long as the activity continues. I think, I said before, the  
7 response to the delay, I think the timeliness depends upon the  
8 nature of the exposure you're trying to avoid.

9 In this case, to be explicit, in this case as long as the  
10 risk of the information getting into the -- what was going on  
11 into the hands of the Iranian government, we probably would not  
12 have informed them.

13 And it occurred -- this again may be rehashing what you and  
14 Senator Leahy covered, but I want to make sure I understand --  
15 it occurred to no one within the councils of the Agency or the  
16 others privy to this operation, it occurred to no one that the  
17 dispatching of McFarlane to Iran last Spring might require some  
18 notification to the Committee?

19 MR. CASEY: No, it didn't to my knowledge. We knew that he  
20 was going and is part of the operation and it didn't reduce the  
21 risk that some other source might blow the operation sky high.

22 SENATOR McCONNELL: He was not exactly a low profile person.  
23 I know you recognize that.

24 MR. CASEY: Oh, I know that. But he is a private citizen.  
25 Nobody knew what he was going to do and he went in there as

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1 quietly as possible, but we didn't -- to my knowledge we didn't  
2 focus on that.

3 SENATOR McCONNELL: So you are completely comfortable then  
4 with telling me and telling this Committee that you think you  
5 have timely notified us by letting us know 11 months after the  
6 Finding.

7 MR. CASEY: I am comfortable with the determination by the  
8 President that he didn't want to disclose as long as this  
9 operation was sensitive and going on. He had the right to make  
10 that determination; I wasn't about to quarrel with him.

11 SENATOR McCONNELL: Did anyone inside the -- who had privy  
12 to what was going on, did anybody question this?

13 MR. CASEY: Well --

14 SENATOR McCONNELL: No one said, hey, we ought to consider  
15 notifying the Committee; we just sent McFarlane to Tehran.

16 MR. CASEY: No, I never heard anybody raise that question.

17 SENATOR McCONNELL: Nobody questioned it.

18 MR. CASEY: I never heard it raised. I can't say it wasn't  
19 raised. I never heard it raised.

20 SENATOR McCONNELL: In your presence.

21 MR. CASEY: I didn't raise it.

22 SENATOR McCONNELL: Nobody said, we're on shaky ground,  
23 legally. Nobody said that?

24 MR. CASEY: I don't recall anybody saying we're on shaky  
25 ground legally. We all knew it was a controversial legal ground.

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1 SENATOR McCONNELL: Okay, shifting off the legality of it --

2 MR. CASEY: Controversial but not shaky.

3 SENATOR McCONNELL: Shifting off the legality of it and  
4 just talking about the perception of it, did anyone in your  
5 presence suggest that the credibility of the Administration, and  
6 more specifically the President, could be greatly damaged by  
7 this operation, particularly if the -- at least the Chairman and  
8 the Vice Chairman of the respective Intelligence Committees were  
9 not given some notification of what was going on.

10 MR. CASEY: I think that everybody was concerned that the  
11 credibility of the Administration could be shaken if this came  
12 out in the wrong way or if it came out. I believe that everybody  
13 was aware of that risk and while not everybody may have agreed  
14 that the risk should be taken, everybody did agree and recognized  
15 that the President had measured the risk, had considered, and  
16 decided to take it. And everybody supported that.

17 Now, I am sure there were various degrees of concern and  
18 maybe different people evaluated the down side differently than  
19 other people did. Some people were more impressed by the object  
20 and the up side than they were by the down side. We discussed  
21 this. We discussed that if -- when this did come out, the fact  
22 that it had produced some positive results would be a positive  
23 one and would be -- would offset whatever downside or whatever  
24 criticism might be. This was all thought about and discussed in  
25 various ways. I think there was the general feeling that the

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1 objective was a good and a highly desirable one. There was  
2 concerns about the perception of dealing with hostages. I was  
3 able to make that distinction. I think most people would. Not  
4 dealing with the hostage takers, we were trying to influence  
5 the Iranians who had special influence with the hostage takers  
6 to exercise that influence. As I said before --

7 SENATOR BYRD: Mr. Chairman, I couldn't hear that last  
8 statement.

9 MR. CASEY: -- we had done that on other occasions, for  
10 example, with the [REDACTED]

11 SENATOR BYRD: Mr. Chairman, I couldn't hear that last  
12 statement.

13 THE CHAIRMAN: Bill, I think we're going to have to continu  
14 to use the mike.

15 MR. CASEY: Now I've got to figure out what the last  
16 statement was. I think I was saying, Mr. Leader, that there  
17 were people who were more concerred, more impressed by the  
18 positive results being sought than by the downside. Everybody  
19 recognized that there was a potential downside, that when this  
20 came out there could be some criticism. But we felt particularl  
21 as we started to have a little bit of success and we had some  
22 hostages coming out and we had clearly the Iranians working to  
23 get more out, committing to get more, and we had them responding  
24 to us, agreeing to give us a T-72 tank which we've been trying  
25 to get for a long time, other positive results, we felt that wher

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1 it did come out we would be able to -- the positive side would  
2 receive more consideration than the negative sides.

3 SENATOR McCONNELL: Just one final questions. Then it is  
4 my understanding that no one in your presence at any time said,  
5 why don't we call Durenberger and Leahy, and the conclusion was  
6 it was safer to send McFarlane to Iran, that that was less likely  
7 to get out --

8 MR. CASEY: Well now you're putting words in my mouth.

9 SENATOR McCONNELL: Okay, well then explain it to me again.

10 MR. CASEY: I am saying that sending McFarlane to Tehran  
11 probably created some risks, but if we were going to go forward  
12 with the operation, those risks were unavoidable. On the other  
13 hand having made the decision not to disclose the activity, there  
14 was no reason to say well, let's disclose it now, because we  
15 have got so many risks we might as well forget that one.

16 SENATOR McCONNELL: But it occurred to no one that somebody  
17 as well known as McFarlane being sent to Tehran would not --

18 MR. CASEY: Obviously there was some concern about it. The  
19 fact is that it was done. McFarlane's presence was known, but  
20 an additional hostage came out and the relationship seemed to be  
21 getting warmer and they undertook to do additional things after  
22 McFarlane's presence. McFarlane's presence was on the whole a  
23 plus. It might have blown the whole operation, but it didn't.

24 SENATOR McCONNELL: But focusing on the notice provision,  
25 no one in your presence said if we are going to send McFarlane

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1 to Tehran, we'd better call Leahy and Durenberger.

2 MR. CASEY: I did not hear anybody say that.

3 SENATOR McCONNELL: Thank you.

4 THE CHAIRMAN: Mitch, thank you. Mr. Roth.

5 SENATOR ROTH: Bill, is it the position of the legal advice  
6 that was given that Congress could not restrict or write a law  
7 that would prevent or preclude you from not informing the Congress?  
8 In other words, as I understand, the law is fairly clear that  
9 either you advise the two intelligence oversight committees of  
10 such actions that were taken in this spacial activity, or if there  
11 was concern, that it be at least reported to a limited number,  
12 the Majority Leader and others of the House and Senate, plus the  
13 heads of the Committee. But it is my understanding you felt  
14 that -- or the decision, legal decision was made that notwith-  
15 standing the legislation, it did not have to be adhered to because  
16 of constitutional rights of the presidency?

17 MR. CASEY: Well, that was recognized in the legislation  
18 itself. It was recognized that there was at least a claim of  
19 prior Presidential right on the Constitution. The very outset  
20 of the statute says, "to the extent consistent with all applicable  
21 authorities and duties, including those conferred by the  
22 Constitution upon the Executive and Legislative Branches of the  
23 government" and only then does it go on to impose these obliga-  
24 tions. So the President has always been free and it has always  
25 been recognized, with some debate and controversy, but it has

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1 always been asserted and the Congress has never taken a step to  
2 wipe out this Constitutional prerogative. The requirements of  
3 the statute are subject to the President or the Congress not  
4 asserting their prior Constitutional rights being before those  
5 that were the rights created by the statute.

6 SENATOR ROTH: Well, if I understand that clause, all it  
7 recognizes is that the law is subject to constitutional rights.  
8 It doesn't spell out with particularity the rights in these  
9 circumstances. Isn't that correct? So we're in a cloudy area.

10 MR. CASEY: We're in a fuzzy -- very loosely, it is  
11 applicable authorities and duties. But I think everybody knew  
12 what they are talking about. And it is clear from the debate  
13 that what they are talking about is the President's War Powers  
14 Act -- War Powers authority, rather, authority to conduct  
15 foreign policy. He could assert that in his own right. I think  
16 that is very clear what that statute, the language refers to.

17 SENATOR ROTH: It seems to me, to repeat, that it is stating  
18 that it is subject to the Constitution without stating what the  
19 Constitutional rights are, that there is a cloud there. There  
20 is nobody -- the courts haven't ruled at this date, so nobody  
21 is exactly sure what the Constitutional rights under these  
22 circumstances are.

23 Let me ask you a second question. Do you have any recom-  
24 mendations as to how the law could be better written or clarified  
25 For example, the decision was made not to use the second

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1 alternative of reporting the special activity to a limited number  
2 or group. Would it have made any difference if it were even  
3 further restricted, say to the Majority Leader and Minority  
4 Leader of the House and Senate? Was that a factor in any way?

5 MR. CASEY: Well, I don't think so. I think that the history  
6 is that from the very beginning of this whole process, there has  
7 been a conflict between the Executive Branch and the Legislative  
8 Branch, the Executive Branch asserting the inherent right under  
9 the Constitution to carry on these activities, and the Legislative  
10 Branch seeking to restrict that. And they have fought this  
11 argument out. It is not a new argument. There has been debate  
12 every time the law has been modified. And it has become clear  
13 that the two sides have agreed to disagree, and argue it out at  
14 the time. I don't -- I haven't given a lot of thought to how  
15 you could avoid that.

16 SENATOR ROTH: How about the phrase, I think, what is it --

17 MR. CASEY: What?

18 SENATOR ROTH: Timely manner. Would it be better from your  
19 experience to have that clarified or defined as to what timely  
20 manner means?

21 MR. CASEY: I think something is timely in this context in  
22 relationship to the degree of the risk and what it is you are  
23 trying to avoid. In this case, the risk is one that continues.  
24 In the case of the Iranian hostage mission, it is either going to  
25 succeed or fail quickly, and your time factor is in relation

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1 to that circumstance.

2 SENATOR ROTH: So that, if I understand what you're saying,  
3 timely manner could include any length of period depending upon  
4 the circumstances.

5 MR. CASEY: I think it has to be reasonable. I think at  
6 some point it would no longer be reasonable to justify with-  
7 holding notice at some point, but I don't know what that point  
8 is. In this case, I don't think that point really came. When  
9 it came when the purpose was lost by the publicity and so on,  
10 and now it is over.

11 SENATOR ROTH: Thank you, Mr. Chairman. My time is over.

12 THE CHAIRMAN: Thank you, Bill. Professor Eagleton.

13 SENATOR EAGLETON: Mr. Casey, are the interests of Israel,  
14 geopolitically, with respect to Iran, at all times identical to  
15 those of the United States?

16 MR. CASEY: No, I don't think so.

17 SENATOR EAGLETON: There are different points of view.

18 MR. CASEY: I think there has been a different view on the  
19 part of the Israelis towards that war than we have had, and we  
20 have tried to persuade the Israelis to withhold support to Iran,  
21 and we haven't succeeded entirely.

22 SENATOR EAGLETON: And the CIA has intelligence information  
23 [REDACTED] of arms shipments from  
24 Israel to Iran since the fall of the Shah and prior to the  
25 incident now in question. Is that not the case?

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1 MR. CASEY: We ~~UNCLASSIFIED~~ intelligence -- we don't have any --  
 2 maybe one smoking gun, but we are pretty confident that the  
 3 Israelis, from our discussions with them and what they have tried  
 4 to persuade us, that they've tried to persuade us that they  
 5 should maintain an arms relationship -- a modest one, they say  
 6 with the Israelis -- the Iranians, because that is the way you  
 7 keep in touch with the military and --

8 SENATOR EAGLETON: And you have one smoking gun and other  
 9 intelligence that Israeli on its own, or with the assistance of  
 10 others -- not the Administration -- has been shipping arms to  
 11 Iran since the fall of the Shah.

12 MR. CASEY: We are quite confident that's true.

13 SENATOR EAGLETON: And then with respect to the 18 HAWK  
 14 missiles that Senator Leahy inquired about, the NSC says they  
 15 didn't know about it, the CIA, it didn't know about it, but  
 16 Israel knew about it, of course.

17 MR. CASEY: Yeah, they shipped them.

18 SENATOR EAGLETON: They were dispatched from Israel. And  
 19 don't you also have intelligence information [REDACTED]  
 20 [REDACTED] that General Secord who is one of these  
 21 private warriors that ships arms around the world, has shipped  
 22 \$125 million worth of material, armored personnel carriers, to  
 23 Iran, prior to this incident that is before the Committee.

24 MR. CASEY: I don't have the specificity of that in my own  
 25 mind, but we do know and do believe that Secord has been doing

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1 business with the Iranians in arms. Other people all over the  
2 world have been doing that.

3 SENATOR EAGLETON: A lot of arms merchants are dealing with  
4 them. Certainly Israel has a long record.

5 MR. CASEY: Yeah; right.

6 SENATOR EAGLETON: A continuous record since the fall of  
7 the Shah.

8 MR. CASEY: Right.

9 SENATOR EAGLETON: That is well known, intelligence-wise,  
10 is it not.

11 MR. CASEY: Yes, I think so.

12 SENATOR EAGLETON: So McFarlane meets in, was it London,  
13 with these high level Israelis? This was the outset of your  
14 statement.

15 MR. CASEY: Yes, that's right.

16 SENATOR EAGLETON: Who were these high level Israelis?

17 MR. CASEY: Well --

18 SENATOR EAGLETON: Was Kimche one of them?

19 MR. CASEY: Kimche was the first one.

20 SENATOR EAGLETON: He's an ex-Mossad functionary.

21 MR. CASEY: Yeah. Then there is a man named Kir who took  
22 his place.

23 MR. EAGLETON: What's his name?

24 MR. CASEY: I think it's Kir -- Nir. N-i-r. I think we  
25 want to hold these names -- we don't want to spread these names

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1 around.

2 SENATOR EAGLETON: So the high level Israelis, Kimche, Nir,  
3 and who were the other high level Israelis?

4 All right. Is he an Israeli?

5 MR. CASEY: Yeah. They both work out of the Prime Ministers  
6 office.

7 SENATOR EAGLETON: And then according to your testimony, it  
8 is the high level Israelis who pose this proposition on  
9 McFarlane. McFarlane doesn't raise this proposition. It is the  
10 high level Israelis who suggest it to McFarlane, according to  
11 your testimony.

12 MR. CASEY: Oh, yes, the Israelis --

13 SENATOR EAGLETON: So the instigator --

14 MR. CASEY: Wait a minute, wait a minute. The Israelis --  
15 this talk about instigated. The Israelis have been talking to  
16 us for five years --

17 SENATOR EAGLETON: About arms to Iran.

18 MR. CASEY: Yeah, about a closer relationship with Iran.  
19 It happens that when Kimche came to McFarlane he came to him with  
20 a specific contact which he thought would be a good one. It was  
21 a specific opportunity he brought to McFarlane. Not the idea.

22 SENATOR EAGLETON: And on previous occasions high level  
23 Israelis had proposed to high level Americans that arms be  
24 shipped to Iran, isn't that so? This wasn't the first time, this  
25 London meeting with McFarlane there, that high level Israelis

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1 had proposed to high level Americans that arms be shipped to  
2 Iran.

3 MR. CASEY: Well, I don't know that any --

4 SENATOR EAGLETON: Mr. Armacost, do you know?

5 MR. CASEY: I don't know that Iranians --

6 SENATOR EAGLETON: This is the first, out of the blue, that  
7 Israeli has ever suggested to a high level American, that arms  
8 be shipped to Iran?

9 MR. ARMACOST: I don't know --

10 SENATOR EAGLETON: Isn't this a long standing Israeli policy  
11 position that they have expressed to us on previous occasions.

12 MR. ARMACOST: I believe that's correct.

13 SENATOR EAGLETON: What did you say, sir?

14 MR. ARMACOST: I believe that is correct. That is I believe  
15 there have been previous occasions on which high level officials  
16 have proposed that.

17 SENATOR EAGLETON: Have proposed it. Occasions -- is the  
18 word plural, Mr. Armacost? Occasions?

19 MR. ARMACOST: I believe so.

20 MR. CASEY: In my experience they come and say you ought  
21 to concur just to do this, and they would explain they are doing  
22 on the basis it was in our common interest. I don't know of any

23 SENATOR EAGLETON: You see they have been doing it?

24 MR. CASEY: Yeah, sure.

25 SENATOR EAGLETON: We knew they had been doing it.

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1 MR. CASEY: Yeah.

2 SENATOR EAGLETON: For many years. They had come to us on  
3 previous occasions to ask us to condone it directly and to  
4 participate in it.

5 MR. CASEY: And we'd say no.

6 SENATOR EAGLETON: Finally they get old McFarlane in London  
7 and get his acquiescence to be an overt participant in that which  
8 they had been doing sublimely and quasi-covert for many years.  
9 We fell in with them, didn't we?

10 MR. CASEY: In a limited way.

11 SENATOR EAGLETON: In a limited way. So this is an Israeli  
12 caper that we fell in with, in a limited way.

13 MR. CASEY: Well, I think that is an overstatement.

14 SENATOR EAGLETON: This was an Israeli suggestion.

15 MR. CASEY: It was an initiative which we adopted.

16 SENATOR EAGLETON: Israeli initiative that we fell in with  
17 in a limited way.

18 MR. CASEY: Yeah.

19 SENATOR EAGLETON: And later we met with them in Paris,  
20 didn't we?

21 MR. CASEY: Yeah.

22 SENATOR EAGLETON: High level Israelis. How many -- how  
23 many meetings with high level Israelis were there from the first  
24 one with McFarlane through the whole exercise of this, roughly.  
25 Three, four, five?

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1 MR. CASEY: I wouldn't know how many there were. I would --

2 SENATOR EAGLETON: I heard of two or three, but I may --

3 MR. CASEY: I would think it was the kind of thing that got  
4 discussed whenever they came around. Every time Perez or Rabin  
5 turned up, why this would probably come up as one of the subjects  
6 of discussion.

7 SENATOR EAGLETON: Did it dawn on anybody when these  
8 discussions were going on, not only about the law, not only  
9 about notifying Congress, not only the element of detection and  
10 the element of surprise, did it dawn on anybody that we were  
11 locking into Israeli -- Israel's foreign policy? That this is  
12 what the Israelis wanted done.

13 MR. CASEY: It certainly did dawn on us. It certainly did  
14 dawn on us.

15 SENATOR EAGLETON: Did anybody raise the question then,  
16 you know, boys, there may be a difference between United States'  
17 best interests with respect to Iran and Israel's best interest.

18 MR. CASEY: Oh, I think everybody recognized that all the  
19 time.

20 SENATOR EAGLETON: Everybody recognized it.

21 MR. CASEY: Yeah, sure. I think that the responsible people  
22 recognizes that the Israelis have their eggs to fry and are going  
23 to fry them, but we make our judgment on what we think is in our  
24 interests. And that is the way we should think about it.

25 SENATOR EAGLETON: This time it was scrambled eggs and we

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1 joined them in the pot, didn't we? We're scrambling our eggs.

2 MR. CASEY: Well, you're not going to put that in my mouth.  
3 That's your view. I think we had a good rationale to do that.  
4 I think the balance --

5 THE CHAIRMAN: Your six minutes are up, Tom.

6 SENATOR EAGLETON: Six minutes are up. The bottom line is  
7 that Israel took us for a ride.

8 MR. CASEY: Well, I know that a lot of people think that.

9 THE CHAIRMAN: Mr. Specter.

10 SENATOR SPECTER: Thank you, Mr. Chairman.

11 MR. CASEY: I don't share it.

12 SENATOR SPECTER: Director Casey, with the time limits,  
13 let me give you a conclusion and ask you for a comment. As I  
14 read Section 501, I do not see the limitations of Section (a)  
15 applicable to the intelligence operations in foreign countries  
16 in Section (b). These two sections were drafted at the same  
17 time, and (b) simply doesn't have the provisions about limiting  
18 disclosure with respect to protection of classified information  
19 or information.

20 It seems to me very difficult to bring the provisions or  
21 limitations from (a) into (b) on the face of this statute. And  
22 I would say further than when you pick up Section 662, which  
23 was enacted in 1980, that this provision was not designed to  
24 expand the Presidential authority, but to limit it. So that on  
25 the January 17th, 1986, Finding which is made under Section 662

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1 the President doesn't have any authority under 662 to defer  
2 statutory obligations which were cited under 501(b).

3 MR. CASEY: Well, I don't know. I don't know how you can  
4 quite say that because part 50 -- 413(a) provides the constitution  
5 exception explicitly, and then the paragraph (b) says, refers  
6 to for which notice was not given under Subsection (a). So they  
7 are tied together.

8 SENATOR SPECTER: No they are not. Subsection (a) relates  
9 to intelligence activities and Subsection (b) relates to covert  
10 activity.

11 MR. CASEY: Which is a cross reference in (b) to (a).

12 SENATOR SPECTER: Well -- but (a) covers and specifies the  
13 collection of intelligence data. Subsection (b) relates to  
14 covert activities.

15 Mr. Casey, I don't want to protract it now. What I would  
16 suggest you do is take a look at these provisions, because I  
17 don't think the Executive Branch is reading them in accordance  
18 with the way they have been drafted. (a) and (b) are put out  
19 at the same time, and (a) has a lot of limitations which don't  
20 apply to (b). And then you have Section 662, which comes much  
21 later, 23 years later, and requires a Finding, and that Finding  
22 is to further limit the President's authority, not to expand it.  
23 Then the President comes down on January 17 of 1986 and makes a  
24 Finding and in his language directs you not to make a disclosure.  
25 There just isn't that authority in the 1980 statute. It is very

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1 complicated and I have been puzzling through it --

2 MR. CASEY: I will have my -- my General Counsel, Dave  
3 Doherty is here, and I will certainly have him examine the  
4 issue you raise, and I will look at it myself.

5 SENATOR SPECTER: Well, I would suggest you do, and I will  
6 be glad to pursue it with you later, because in the time limits  
7 here we can't go into it. But I think there is a fundamental  
8 misreading here, and the President has a lot less authority to  
9 defer disclosures or not to disclose than it has been speculated  
10 about in the press or that we h-ve agreed on a high level gloss.

11 MR. CASEY: We'll be very glad to go into it with you.

12 SENATOR SPECTER: Let me ask you just very briefly two other  
13 points. And one is that there has been speculation that there  
14 might be an exception for Admiral Poindexter, the assistant in  
15 charge of the National Security Council, not being within the  
16 purview of being required to report intelligence activities to  
17 the oversight committees. As I read the language, he would be  
18 covered under the category of other entities of the United States  
19 So that if the NSC Director is engaged in this category of  
20 activity he would be required to make a report to this Committee.  
21 Do you agree with that?

22 MR. CASEY: I haven't given that enough thought.

23 SENATOR SPECTER: Well, I would appreciate it again if you  
24 would take a look at that.

25 MR. CASEY: Okay. Dave, did you get these notes -- get

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1 both points, yeah.

2 SENATOR SPECTER: Because I believe in the legislative  
3 enactment there was an effort made to be as broad as possible.  
4 They talk about heads of departments and agencies, and then other  
5 entities. It is pretty hard to get a category of language  
6 broader than other entities that would be comprehensive.

7 MR. CASEY: The question, involved in intelligence activities  
8 I think it is a very good question and we'll look at it.

9 SENATOR SPECTER: The third and final point that I would like  
10 to raise with you is on the issue of Mr. McFarlane. Now it is  
11 true that he is a private citizen, but his former position, or  
12 when he acts as an agent for the President or agent for the United  
13 States, or agent for his successor Admiral Poindexter, don't you  
14 think there is a requirement that his activities be subject to  
15 reporting as well?

16 MR. CASEY: Well, I think if he was acting for CIA or any  
17 one of these other entities, then I think that would bring him  
18 in.

19 SENATOR SPECTER: Well, wasn't he in this case?

20 MR. CASEY: Huh? Yeah.

21 SENATOR SPECTER: Thank you very much.

22 MR. CASEY: I think if we had to report, we would include  
23 McFarlane's activities, just like we would do to any one of our  
24 employees.

25 SENATOR LEAHY: I'm sorry, you'd include? I didn't hear that.

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1 part. You would include what?

2 MR. CASEY: I say if we were reporting, we would have  
3 included McFarlane's activities along with those of our own  
4 employees who participated.

5 SENATOR SPECTER: Thank you, Mr. Chairman.

6 THE CHAIRMAN: Thank you, very much, Arlen.

7 I'll yield now to either Mr. Bradley or Mr. Byrd. I don't  
8 know whether the Democratic Leader has a time problem yet or  
9 not.

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1 SENATOR BYRD: Thank you, Mr. Chairman.

2 Mr. Casey, when was the first discussion involving the  
3 President with respect to sending the arms and with respect to  
4 the decision not to report to the Congress?

5 MR. CASEY: Well, I think the first discussion with respect  
6 to the relationship of which the possibility of sending arms  
7 was part, the first one I knew of occurred in -- the first when  
8 the CIA knew about it, occurred in December. As I said, I was  
9 out of the country and my deputy John McMahon was present. Now,  
10 I am certain, though I don't know, that there were other discus-  
11 sions about this subject which probably took place in the daily  
12 meetings which the President has with the National Security  
13 Advisor.

14 SENATOR BYRD: You indicated earlier that on November 25,  
15 cargo was dropped in Iran.

16 MR. CASEY: Yeah.

17 SENATOR BYRD: Now, prior to November 25, who was in on the  
18 discussions as to this matter? Somebody must -- there must have  
19 been a genesis as to whether or not we will report to the Congress  
20 Now, the President issued his order on January 17 this year.

21 MR. CASEY: That is when the formal finding was signed.

22 SENATOR BYRD: Yes, the formal memo was signed. But the  
23 transactions of equipment and materiel had gone forward prior to  
24 that time.

25 MR. CASEY: There was considerable uncertainty as to who

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1 knew about those transactions. Those transactions were Israeli  
2 to Iran, and as far as I know, there was no American involvement  
3 in it until November, late November they asked us to produce a  
4 plane, where to get a plane, and we come up with this proprietary  
5 plane. And a shipment -- huh?

6 SENATOR BYRD: Would you mind speaking into the mike, please.

7 What I am trying to ask you, what I am trying to find out  
8 here is at what point, when did the President and yourself and  
9 the Director of the NSC, make a decision that -- and begin  
10 discussions of this when Mr. McFarlane had made the proposal, as  
11 I understand it, based on contacts that the Israelis said might  
12 exist. When did you all sit down with the President and start  
13 this discussion which ended in approval of the actions of the  
14 Israelis, for example.

15 MR. CASEY: I would say that the discussions started, as  
16 far as I know, in that meeting in early November, and then went  
17 on to prepare a Finding that formalized it. Now, that is not to  
18 say that there were not discussions by some of the principals,  
19 probably between McFarlane and the President, at an earlier  
20 stage. McFarlane had talked to me about the initiative without  
21 getting into the arms aspect of it, primarily talking about the  
22 political initiative and the importance of it, sometime -- I  
23 haven't got an exact date, but it was before -- it was right  
24 when I went off for my China trip. It had to be some time in  
25 October.

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1 SENATOR BYRD: In October.

2 MR. CASEY: Yeah.

3 SENATOR BYRD: McFarlane talked to you.

4 MR. CASEY: Yeah. I think perhaps the Israelis had been  
5 talking to him before that.

6 SENATOR BYRD: Yes. But to sit down and discuss this matter  
7 and say well, what are we going to do about reporting to Congress.

8 MR. CASEY: That was done by the NSC principals in early  
9 November and again in January.

10 SENATOR BYRD: And was the President in on that?

11 MR. CASEY: Yes, both cases.

12 SENATOR BYRD: Were you in on the discussions?

13 MR. CASEY: I was out of the country the first discussion.  
14 My Deputy John McMahon was there. I was in on the second  
15 discussion which took place in January.

16 SENATOR BYRD: You indicated that you agreed with the,  
17 quote, "prevailing" close quote, view, which leaves us to under-  
18 stand that there was a different view. Now, with respect to  
19 whether or not there should be timely reporting to Congress and  
20 what the word timely meant, under the prevailing view.

21 MR. CASEY: I don't recall a different view on timely  
22 reporting. I think everybody went along with that. What I did  
23 say there was a different view on, there was a different view  
24 on the wisdom and desirability of entering into the relationship  
25 with respect to weapons and arms. That is where the difference

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1 was.

2 SENATOR BYRD: I believe, and I don't have the transcript  
3 in front of me, but I believe that you were discussing, when you  
4 said this, I think you were referring to, quote, "informing  
5 Congress," close quote, and then you indicated that you, quote,  
6 "agreed with the prevailing view."

7 MR. CASEY: No, I don't think so.

8 SENATOR BYRD: All right.

9 MR. CASEY: I've got that right here.

10 SENATOR BYRD: All right. Let that be as it may. That is  
11 the way I understood it. The President was present; is that  
12 correct?

13 MR. CASEY: Yes.

14 SENATOR BYRD: Who else was present? Was the Secretary of  
15 State there?

16 MR. CASEY: Yes.

17 SENATOR BYRD: Was the Secretary of Defense there?

18 MR. CASEY: Yes.

19 SENATOR BYRD: Was Mr. Meese there?

20 MR. CASEY: Yes.

21 SENATOR BYRD: And was the Vice President there?

22 MR. CASEY: I'm not sure, but I think so. He usually is,  
23 unless he is out of town.

24 SENATOR BYRD: And who else was there?

25 MR. CASEY: Well, Poindexter was there. I think that was

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1 probably all.

2 THE CHAIRMAN: Don Regan?

3 MR. CASEY: Don Regan was probably there, yeah.

4 SENATOR BYRD: Now, among those, who raised the question as:  
5 to reporting and as to the law?

6 MR. CASEY: Mr. Chairman -- Mr. Leader, as far as I know and  
7 can recall now, nobody raised that question.

8 SENATOR BYRD: Nobody raised that question --

9 MR. CASEY: Yeah.

10 SENATOR BYRD: -- with the Attorney General there --

11 MR. CASEY: Well, the Attorney General concurred. You  
12 remember that this had been discussed for a couple of weeks back:  
13 and forth starting with our General Counsel and our Deputy  
14 Director of Operations people, the NSC staff people, and I don't  
15 know to what extent State and Defense was involved, but they were  
16 involved. And I didn't hear any discussion about the -- any  
17 great dissent or dispute about the way the Finding would be  
18 handled.

19 SENATOR BYRD: Well, you say you didn't hear any discussion  
20 or any great dissent. Someone surely said, where do we stand  
21 within the context of the law.

22 MR. CASEY: Oh, that was worked very carefully by the lawyer

23 SENATOR BYRD: Well, the lawyers weren't in on that meeting.  
24 were they?

25 MR. CASEY: Oh, yeah. Well, not on the final meeting.

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1 SENATOR BYRD: No, I am talking about the original meeting.

2 MR. CASEY: They were in in the preparation of the Finding.

3 SENATOR BYRD: Yes. But at some point, at some point up  
4 early there had to be a discussion of the requirements under  
5 Section 501 of the National Security Act.

6 MR. CASEY: Yeah, I think everybody agreed that that was a  
7 problem, and that probably the way to handle it was by having  
8 the President exercise his constitutional prerogative.

9 SENATOR BYRD: Constitutional prerogatives aside for the  
10 moment, that discussion took place prior, didn't it? Prior to  
11 January the 17th when the President issued the memorandum.

12 MR. CASEY: Well, I can't be sure about that.

13 SENATOR BYRD: You mean he just came in on that meeting on  
14 January 17 and said boys, here we have this --

15 MR. CASEY: No. You know, Senator, that is not the way  
16 life works. People working on the problem come up with a set  
17 of proposals and the principals are inclined to accept them.

18 SENATOR BYRD: But there has to be a presentation before  
19 the principals.

20 MR. CASEY: Yeah. Well, there was a presentation and the  
21 Finding was presented.

22 SENATOR BYRD: And that was prior to January 17?

23 MR. CASEY: I am not sure about the dates there. I know  
24 the document was signed January 17. I think the meeting was  
25 January 17th. No, maybe the meeting was --

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1 MR. ARMSCOST: The meeting was January 7th.

2 MR. CASEY: The meeting was January 7th.

3 SENATOR BYRD: January 7th?

4 MR. CASEY: Yeah, January 7th was the meeting.

5 SENATOR BYRD: What was the purpose of that meeting?

6 MR. CASEY: That was to discuss the whole initiative. It  
7 was -- we had said, as early as December, that we felt that a  
8 Finding should be prepared. And the Finding was prepared. And  
9 then I guess the policy was reviewed again January 7th, and then  
10 the Finding was finally finalized and signed on January 17th.

11 SENATOR BYRD: Now, as early as December you had discussed  
12 the necessity of a Finding, is that correct?

13 MR. CASEY: Yes; yes.

14 SENATOR BYRD: For what reasons? One and two -- may I  
15 finish my question? For the reasons of authorizing the arms  
16 shipments and the purposes to be achieved thereby, or -- and/or  
17 the reporting of Congress and the necessity of not reporting to  
18 the Congress.

19 MR. CASEY: Well, I think that is not the way it works.

20 SENATOR BYRD: But they are both included in the Finding.

21 MR. CASEY: Well, we wanted a Finding. We said, look, if  
22 we are going to do all these activities, we have to have a  
23 Finding. And then the question of the kind of a Finding and  
24 everything else came up. And that was turned over to the --  
25 normally is, to our DDO people and an interdepartmental group

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1 which has a Defense and a State and an NSC representative. They  
2 get the Finding together, or CIA may do the draft and they send  
3 it around to this group who make inputs from each Department --

4 MR. ARMACOST: I have to say, Bill, I don't believe anybody  
5 in the State Department saw the Finding.

6 MR. CASEY: Oh.

7 SENATOR BYRD: Pardon me, what was that?

8 MR. ARMACOST: I don't believe anybody in the State Depart-  
9 ment saw the Finding. I don't know what the normal procedure  
10 would have been, but I was unaware of it and I don't believe the  
11 Secretary saw it.

12 MR. CASEY: Well, I'm not sure they did either. I am just  
13 telling you how it normally works.

14 SENATOR BYRD: Now, in the Finding --

15 MR. CASEY: I am quite sure the Secretary saw the Finding  
16 at the meeting.

17 MR. ARMACOST: I don't believe so.

18 MR. CASEY: That's so? All right.

19 SENATOR BYRD: The Finding authorized the shipments, and it  
20 also required the CIA -- directed the CIA not to report to the  
21 Congress.

22 MR. CASEY: Right.

23 SENATOR BYRD: Now, that discussion, the discussions which  
24 led up to the decision that there should be a Finding --

25 MR. CASEY: Yeah.

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1 SENATOR BYRD: -- began as early as December, as I under-  
2 stand.

3 MR. CASEY: Yeah, I think maybe even earlier. Maybe late  
4 December.

5 SENATOR BYRD: You mean late November.

6 MR. CASEY: November. After the shipment had been completed  
7 and had been authorized, and we said we're not going to do this  
8 again without a Finding, and then I think they started talking  
9 about the kind of a Finding and when.

10 SENATOR BYRD: Now, who proposed that the Congress be  
11 circumvented?

12 MR. CASEY: I don't know who proposed that initially. I  
13 can't tell you who proposed that initially. As I said, I was  
14 not in the country at the time, at the inception of that exercise  
15 The first meeting in December I was away, and my Deputy was there  
16 And then the process went on in the bureaucracy putting together  
17 the Finding, and I guess it was finalized in January.

18 SENATOR BYRD: What about the meetings in which you parti-  
19 cipated. You said you agreed with the prevailing view.

20 MR. CASEY: Yeah.

21 SENATOR BYRD: Who raised a question? Did anybody raise the  
22 question with regard to the interpretation of this statute?

23 MR. CASEY: I think that that interpretation of the statute  
24 was part of the basic tools that we work with. That is nothing  
25 new. That interpretation is -- there has always been three ways

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666 1 to go. One, the leadership; one, the President exercises his  
2 constitutional authority; and the third is the normal way where  
3 you put it through the -- around the robin to all the Committees.

4 SENATOR BYRD: Well, surely there must have been --

5 MR. CASEY: I believe that somewhere early on there was a  
6 general acceptance that it was important in this job if we were  
7 going to do it, in as secure and in a closed way as we could,  
8 and a disposition to go with the most secure route, which is  
9 generally deemed to be the constitutional route. It was that  
10 kind of a general decision. I don't think there was a lot of  
11 discussion about it.

12 SENATOR BYRD: Well, I am rather surprised there wouldn't  
13 be a discussion of this, which would obviously be a very central  
14 point of criticism, in the event that this matter ever came out.

15 MR. CASEY: You once told me, Mr. Leader, that President  
16 Carter talked to you before the Iranian Finding, and there wasn't  
17 a great deal of discussion about what kind of notification it  
18 would be.

19 SENATOR BYRD: Yes. Well, let me say to that, Mr. Casey,  
20 I did not only tell you --

21 MR. CASEY: No, no.

22 SENATOR BYRD: -- I told my colleagues, Republicans and  
23 Democrats, following that situation. That is number one. Now  
24 let me respond to that. That is number one. In that situation,  
25 you had over 50 hostages whose lives were at stake then, and

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1 you had the crews of six helicopters whose lives were at stake  
2 then, and the whole operation was, as I remember, something like  
3 an 11 day matter. And thirdly -- thirdly, I criticized the  
4 President of my Party on that occasion for not having taken into  
5 his confidence at least a few persons, Democrats and Republicans  
6 on this Hill, who as I said to him, can keep a secret as well as  
7 anybody in this White House. And I say that again.

8 Now, we keep --

9 MR. CASEY: Well, look, I understand what you are saying  
10 entirely.

11 SENATOR BYRD: So there is no secret about that.

12 MR. CASEY: I understand that. All I am saying is, I think  
13 you can understand how these decisions are made. They sometimes

14 SENATOR BYRD: I don't understand --

15 MR. CASEY: -- don't have a lot of discussion.

16 SENATOR BYRD: No, I don't understand how this decision was  
17 made. But let me say finally on that, we can't keep looking  
18 back at Iran and the hostages under the Carter Administration.  
19 I think this Administration has to be accountable for what it  
20 has done.

21 MR. CASEY: I am not trying to excuse anything on the basis  
22 of the Carter Administration. I am merely trying to remind you  
23 of how these decisions get made. They don't always have a lot  
24 of discussion. I know I wa-n't in a lot of discussion on this.  
25 I accepted the deciaion and the conclusion, and I know there were

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869 1 three ways to do it, and I was inclined to do this one in the wa  
2 it was done.

3 SENATOR BYRD: Well, let's leave the Carter situation for  
4 the moment and I don't mind discussing that anywhere.

5 MR. CASEY: I don't want to get back into the Carter  
6 situation at all. I am trying -- what I am trying to talk about  
7 how decisions are made in this government under either Adminis-  
8 tration. They are made very quickly, people are doing a lot of  
9 other things, and there isn't a lot of discussion sometimes.

10 THE CHAIRMAN: Mr. Leader, could I interrupt just one second  
11 to clarify. Who has to leave here at 1:30?

12 MR. CASEY: I have to be with the House Committee at 1:30.

13 THE CHAIRMAN: Oh, you have to meet with the House Committee  
14 at 1:30. Okay. Well, we still have Mr. Bradley -- Mr. Bentsen  
15 has left, Mr. Boren has left -- Mr. Murkowski and Mr. Nunn and  
16 Mr. Moynihan. Is that correct? Have I got that right?

17 SENATOR BYRD: Could I ask one further question.

18 THE CHAIRMAN: That's fine. I just wanted to clarify that  
19 we have got about 20 minutes left.

20 MR. CASEY: I'll come back here if you want me to.

21 SENATOR BYRD: Yes, I'll be glad to come back also.

22 One final question, then perhaps I can follow this up later.  
23 Did the Secretary of State and/or the Secretary of Defense in  
24 particular or did anyone else at any of the meetings you attended  
25 beginning prior to January 17th, inclusive of January 17, or

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1 following that meeting, raise a strong opposition to this idea,  
2 to this kind of operation, trafficking in arms with a terrorist  
3 state, and also raise a question with respect to advisability  
4 and the legality of not reporting to the Congressional Committees  
5 or at least the -- if we might say, let's say the eight  
6 individuals whose titles are spelled out in the --

7 MR. CASEY: I want to be very clear about this, Mr. Leader.  
8 I want to be very clear about this.

9 SENATOR BYRD: Yes; all right.

10 MR. CASEY: They did raise strong objection to the concept  
11 of dealing with the Iranians, and there was a split there. As  
12 far as I can remember, they did not raise any objection as to  
13 the procedure elected. Now, they may have done it, but in my  
14 recollection I did not hear them raise any objection as to the  
15 process. They did raise strong objections to the idea and the  
16 concept. Is that clear?

17 SENATOR BYRD: Who did?

18 MR. CASEY: Secretary of State and Secretary of Defense.

19 SENATOR BYRD: And how about with regard to not reporting  
20 to the Congress?

21 MR. CASEY: As far as I can remember, they did not raise  
22 any objection to that. They accepted that. It was a technical,  
23 procedural issue. Now, they may have been uneasy about it, and  
24 maybe they did raise an objection, but I don't recall it and I  
25 don't know about it at this time.

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1 SENATOR BYRD: Mr. President, I thank the Chair and the  
2 Members for their indulgence.

3 THE CHAIRMAN: Thank you, Mr. Leader. Mr. Bradley.

4 SENATOR BRADLEY: Thank you, Mr. Chairman. Mr. Casey, let  
5 me just say, your interpretation of 502 I think really is a  
6 gigantic loophole that would allow the Executive Branch to  
7 virtually do anything and not be required to report to the  
8 Congress. I strongly disagree with that. I don't think that  
9 this meeting is going to resolve it --

10 MR. CASEY: It is a big argument that has been going on a  
11 long time.

12 SENATOR BRADLEY: -- and I think it is only some future  
13 legislation will resolve it. I don't want to deal with that,  
14 but I think I ought to put -- I think you're getting this  
15 message loud and clear.

16 MR. CASEY: Okay. Sure.

17 SENATOR BRADLEY: Who participated in the drafting of the  
18 Finding?

19 MR. CASEY: I think the General Counsel, our General Counsel  
20 did. I think probably the people in our Directorate of Operation  
21 did. I think some had --

22 SENATOR BRADLEY: Mr. George? Did Mr. George participate  
23 in that?

24 MR. CASEY: I don't know whether -- either he did it or  
25 he delegated it to somebody.

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- 1 MR. GEORGE: We did not. The General Counsel was the Agency  
2 representative in the drawing up of that.
- 3 SENATOR BRADLEY: You did not participate in the Finding?
- 4 MR. GEORGE: I did not. It was handed me --
- 5 SENATOR BRADLEY: Not one meeting did you participate in  
6 the drafting.
- 7 MR. GEORGE: No I did not.
- 8 SENATOR BRADLEY: So who was it, the General Counsel?
- 9 MR. CASEY: Yeah.
- 10 SENATOR BRADLEY: And who else?
- 11 MR. CASEY: I really can't tell you now. I saw it at some -
- 12 SENATOR BRADLEY: Anyone from the Defense Department.
- 13 MR. CASEY: I saw it at some point.
- 14 SENATOR BRADLEY: No one from the Defense Department? Mr.  
15 Armitage?
- 16 MR. ARMITAGE: No, sir, nobody from the Defense Department.
- 17 SENATOR BRADLEY: Anybody from the State Department?
- 18 MR. ARMACOST: No, sir.
- 19 SENATOR BRADLEY: Anyone from the CIA? The General Counsel'  
20 office, is that it?
- 21 MR. CASEY: The General Counsel participated. Whether  
22 anybody else did on it --
- 23 SENATOR BRADLEY: Anyone other than Mr. Sporkin?
- 24 MR. CASEY: I don't know.
- 25 SENATOR BRADLEY: You don't know?

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1 MR. CASEY: I could find out and let you know.

2 SENATOR BRADLEY: Well, I think it would be important that  
3 we get that on the record.

4 Could you tell me who in the Executive Branch participated  
5 in -- in the White House?

6 MR. CASEY: I can't be sure.

7 SENATOR BRADLEY: You can't be sure?

8 MR. CASEY: No. You know, I am sure the NSC was involved in  
9 it. Who at the NSC worked at it --

10 SENATOR BRADLEY: The NSC was involved?

11 MR. CASEY: Yeah.

12 SENATOR BRADLEY: And who on the NSC participated?

13 MR. CASEY: I really can't tell you all who might have been  
14 in. I would be just guessing.

15 SENATOR BRADLEY: Is there anyone here from the General  
16 Counsel's office?

17 MR. CASEY: Yeah.

18 SENATOR BRADLEY: Can the General Counsel's office tell us  
19 who participated in the meeting that you used go draft the --

20 MR. DOHERTY: Well, I was not the General Counsel then. I  
21 know that the then General Counsel had discussions with -- when  
22 you say participate in the drafting, I assume you mean the  
23 process. He had factual input from the operational people  
24 indicating the facts --

25 SENATOR BRADLEY: So who in the operations department did

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1 the General Counsel have discussions with?

2 MR. DOHERTY: I'll have to get those details.

3 SENATOR BRADLEY: But not with Mr. George.

4 MR. DOHERTY: If he says -- if he says no, I am sure it  
5 wasn't Mr. George.

6 SENATOR BRADLEY: Mr. George, you say no?

7 MR. GEORGE: The first I saw the Finding it was complete.

8 SENATOR BRADLEY: Pardon?

9 MR. GEORGE: The first time I spoke of the Finding -- or  
10 saw it, it had been completed.

11 MR. CASEY: I think it is likely it was done at the NSC  
12 and it would --

13 SENATOR BRADLEY: Okay. Is it possible that in addition  
14 to providing us with the names in the General Counsel's office,  
15 who in the NSC participated.

16 MR. CASEY: I will try to gather that information and provide  
17 it to you.

18 SENATOR BRADLEY: Okay. Now, as I understand it, there was  
19 a November expenditure of money that was approved by Mr. McMahon,  
20 right?

21 MR. CASEY: I guess so. I am not sure.

22 MR. GEORGE: No expenditure. It was use of the proprietary.

23 SENATOR BRADLEY: What was the charter airline you referred  
24 to?

25 MR. CASEY: Use of the proprietary.

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1 SENATOR BRADLEY: it was the use of a CIA proprietary.

2 MR. CASEY: Proprietary plane.

3 SENATOR BRADLEY: So no expenditure of money.

4 MR. CASEY: It was paid for by the Iranians, I guess,  
5 wasn't it.

6 SENATOR BRADLEY: But it was the use of a CIA proprietary  
7 airlines.

8 MR. CASEY: They billed the shipper and the shipper paid  
9 for it.

10 SENATOR BRADLEY: But the airline was a CIA proprietary.

11 MR. CASEY: Yeah, that's right.

12 SENATOR BRADLEY: Now, had this ever been done before?

13 MR. CASEY: Well, it is kind of hard for me to answer that  
14 categorically. I assume they had.

15 SENATOR BRADLEY: Mr. George, has the CIA proprietary  
16 airline ever flown to Iran before?

17 MR. GEORGE: Yes. It is my understanding it had on one  
18 occasion.

19 SENATOR BRADLEY: When was that?

20 [REDACTED] We'll get you the exact date, sir. It has  
21 been in at least once on a normal commercial --

22 MR. GEORGE: The plane sits commercially in [REDACTED] and  
23 operates as a commercial entity taking contracts, as all  
24 commercial planes do. Our looking into -- that very question  
25 has been asked, had it ever flown before to Tehran. We have an

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1 indication that a year before it had flown to Tehran on a  
2 regular commercial contract.

3 SENATOR BRADLEY: And did you know about that at that time,  
4 Mr. Casey?

5 MR. CASEY: No, I was out of the country at that time, as I  
6 told you.

7 SENATOR BRADLEY: No, no, no. The year before.

8 MR. GEORGE: He would not know that.

9 MR. CASEY: No, I didn't know that.

10 MR. GEORGE: Nor would we have known, Senator.

11 SENATOR BRADLEY: So that even though we have a policy of  
12 an arms embargo against Iran and no dealings with the Iranian  
13 government --

14 MR. CASEY: I don't check up on all the --

15 SENATOR BRADLEY: -- we can have a CIA proprietary airline  
16 fly to Iran with what -- nobody knows it's flown, nobody knows  
17 what's in it, and nobody has given approval or has any kind of  
18 control over it. Is that -- I understood that is what you have  
19 said.

20 MR. CASEY: I think that is probably true, yeah.

21 MR. GEORGE: It is very hard to run an international commer-  
22 cial airlines --

23 MR. CASEY: These CIA proprietaries are out there doing  
24 business. They are supposed to obey the law, get clearances and  
25 so on.

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1 SENATOR BRADLEY: Has Mr. Poindexter participated in this  
2 venture any place outside the United States?

3 MR. CASEY: Not that I know of. I don't think so.

4 SENATOR BRADLEY: Did he meet with any Iranians? Did he  
5 meet with any Israelis outside the United States?

6 MR. CASEY: I can't answer that, Senator. I haven't got  
7 his diary.

8 SENATOR BRADLEY: Pardon?

9 MR. CASEY: I haven't got his diary. I don't know. I can  
10 find out.

11 SENATOR BRADLEY: Could you find out and tell us.

12 MR. CASEY: I suspect that he met with Israelis in the  
13 United States, but not outside the United States.

14 SENATOR BRADLEY: Pardon?

15 MR. CASEY: I suspect that he met with Israelis in the  
16 United States but not outside the United States. I suspect that  
17 he did not meet with Iranians, although he may have met with them  
18 in the United States. He didn't meet with them out of this --

19 SENATOR BRADLEY: Could you provide that for the record?

20 MR. CASEY: Yeah. I will confirm that. That is what my  
21 guess.

22 SENATOR BRADLEY: Okay. Now, as I understand your list of  
23 events, on February 21st there was a meeting of U.S. and Iranian  
24 parties, is that correct?

25 MR. CASEY: Yeah; yes.

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1 SENATOR BRADLEY: [REDACTED] was at that meeting on the United  
2 States' side.

3 MR. CASEY: Which meeting is that, Clair?

4 MR. GEORGE: Between 19 and 21 February.

5 SENATOR BRADLEY: That is the first meeting with the Irani.  
6 and the U.S., is that correct?

7 MR. GEORGE: That is not the first meeting.

8 MR. CASEY: I don't have all this detail with me, Senator.

9 [REDACTED] The first meeting is 5 through 7 February.

10 MR. GEORGE: 5 through 7 February, Senator Bradley.

11 SENATOR BRADLEY: 5 through 7. Who was at that meeting and  
12 who was at the meeting on the 21st of February?

13 MR. GEORGE: Tom Twatton who was the --

14 [REDACTED] It was the NSC was present on 5 through 7  
15 February.

16 SENATOR BRADLEY: The NSC? Who on the NSC was present?

17 [REDACTED] I don't know.

18 SENATOR BRADLEY: You don't know?

19 [REDACTED] I don't know. And on 19 through 21 Februar

20 MR. CASEY: On 5 February a U.S. official from NSC meet wit  
21 a representative of the Israeli Prime Minister. Met in Germany.

22 SENATOR BRADLEY: I am talking about the Iranian. Iranian.  
23 Iranian-U.S. meeting.

24 MR. CASEY: Yeah. Senior level Iranian officials and a  
25 representative of the Israeli Prime Minister. That took place

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1 in Germany. I think it was [REDACTED] the Iranian; I think it  
2 was probably Nir, the Israeli.

3 THE CHAIRMAN: Gentlemen, we have 10 minutes left.

4 SENATOR BRADLEY: Let me just get to this.

5 THE CHAIRMAN: All right.

6 SENATOR BRADLEY: The point is, who at this meeting spoke  
7 Farsi?

8 MR. CASEY: They had an interpreter.

9 SENATOR BRADLEY: They had an interpreter?

10 MR. CASEY: Yeah.

11 SENATOR BRADLEY: Is that true, Mr. George? Did they have  
12 an interpreter?

13 MR. GEORGE: We were not at this meeting. I do not know  
14 who was at this meeting. We were at the later meeting --

15 MR. CASEY: I understand there was an interpreter who lived  
16 in Geneva. They later superceded him by our interpreter.

17 MR. ALLEN: We understand one of the Iranian intermediaries  
18 who spoke English did the interpreting.

19 SENATOR BRADLEY: The Iranian intermediary?

20 MR. CASEY: Yeah.

21 SENATOR BRADLEY: So the U.S. government went to this  
22 meeting but did not have its own Farsi speaker, is that correct?

23 MR. CASEY: That's right; yeah, that's right.

24 THE CHAIRMAN: Bill, thank you very much. We'll follow up.

25 SENATOR BRADLEY: I think that just simply characterizes the

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1 nature of the operation, the unprofessionalism of the operation,  
2 and the misguided direction.

3 THE CHAIRMAN: Mr. Murkowski.

4 SENATOR MURKOWSKI: Thank you, Mr. Chairman. Mr. Casey,  
5 in the interpretation of Section 501 of the National Security  
6 Act with the requirements for reporting to Congress, is it your  
7 interpretation or the interpretation of your counsel that there  
8 is any penalty for not providing that information, or if the  
9 Members of the appropriate determine that indeed it was not  
10 within reasonable compliance, is there any penalty, or is it just  
11 a matter of not seeing fit to abide by it.

12 MR. CASEY: I don't think there is any statutory penalty.

13 SENATOR MURKOWSKI: No penal penalties, just one of those  
14 things that is there for your interpretation?

15 MR. CASEY: It is a requirement. I think --

16 SENATOR MURKOWSKI: It is a requirement, but if it is not  
17 done --

18 MR. CASEY: I think there are penalties. If we ignore those  
19 requirements I think that you have ways of making it --

20 SENATOR MURKOWSKI: What might the penalties be for ignoring  
21 Since there is no provision, apparently --

22 MR. CASEY: You have to figure that out.

23 SENATOR MURKOWSKI: Well, in other words --

24 MR. CASEY: I don't know of any specific penalty.

25 SENATOR MURKOWSKI: Mr. Chairman, I wonder if counsel for the

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1 CIA would provide for the record whether in their opinion there  
2 is any penal --

3 MR. CASEY: Dave, you want to respond to that?

4 MR. DOHERTY: Yes. That is not a criminal statute to the  
5 extent that we did not comply with the law there would be reporti  
6 provisions and the like. Our view obviously is that under our  
7 interpretation that has been long standing that the President  
8 has a constitutional right to determine in limited circumstances  
9 not to report. So we don't see a violation. If there is a  
10 violation of the law on our part, they are reporting provisions  
11 of this kind of law, anyway, and there were no criminal  
12 sanctions --

13 SENATOR MURKOWSKI: There are no provisions for any penalties

14 MR. DOHERTY: Well, as I said -- if penalties you mean going  
15 to jail, then the answer is no.

16 SENATOR MURKOWSKI: Is any reference to --

17 MR. CASEY: No.

18 SENATOR MURKOWSKI: -- any action if you don't comply?

19 MR. DOHERTY: Other than as I said, the reporting require-  
20 ments on our part and --

21 SENATOR MURKOWSKI: I know, but if you didn't report --

22 MR. DOHERTY: -- the political consequences --

23 SENATOR MURKOWSKI: -- what would be the penalty.

24 MR. DOHERTY: There is no criminal sanction.

25 SENATOR MURKOWSKI: There is no penalty, in other words.

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1 MR. DOHERTY: If your definition is a criminal sanction.

2 SENATOR MURKOWSKI: Not necessarily a criminal, a non-  
3 criminal. What might be a penalty under a non-criminal sanction

4 MR. DOHERTY: Well, there may be administrative provisions  
5 there are administrative provisions that provide for reporting.

6 SENATOR MURKOWSKI: But if the reporting isn't done, is  
7 there a provision?

8 MR. DOHERTY: No one is going to pull our license or anything  
9 It is not like an SEC statute where there are administrative  
10 sanctions.

11 SENATOR MURKOWSKI: Thank you.

12 MR. DOHERTY: There are political consequences, obviously.

13 SENATOR MURKOWSKI: Thank you. Mr. Chairman, my next  
14 question I will be brief, because I recognize the time. Mr.  
15 Casey, what was the motivation to initiate the so-called risk.  
16 Was it to primarily establish a relationship hopefully with the  
17 splinter group of the Iranian government, or was it to initiate  
18 exchange for the hostage.

19 MR. CASEY: Well, as I think I read in my opening statement  
20 there were four purposes. One was opening up the relationship;  
21 one is to divert the Iranians from the practice of terrorism;  
22 one was to bring the --

23 SENATOR MURKOWSKI: So it was a combination.

24 MR. CASEY: -- war to a close; and the fourth was to help  
25 get our hostages back.

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1 SENATOR MURKOWSKI: So it was a combination including both  
2 the hopeful establishment of a relationship with the Iranian  
3 splinter group and the exchange of the hostages. But in view of  
4 my limited time in government, but my observation that there  
5 virtually are no secret, wasn't the recognition as you stated in  
6 your testimony, this is only the second time in 10 years that  
7 there has not been reporting to this Committee, and the other  
8 one, the other instance was the Iranian hostage situation some  
9 10 years ago, didn't that lead you to believe that is indeed was  
10 a very, very high risk area and the consequences of exposure  
11 were very, very real, and you know, we're faced with those  
12 consequences today.

13 It would seem to me that while hindsight is cheap, let me  
14 ask you the question then. In hindsight, what would you have  
15 done differently? What might you have urged?

16 MR. CASEY: That's hard to answer. That's hard to answer.  
17 I am always amenable to talking to the Committees about it. But  
18 here there was a feeling, a consensus that we would not do it  
19 at that time, and I think that was just a risk we took at the  
20 outset and it is a risk we live with.

21 THE CHAIRMAN: Frank, how are we doing?

22 SENATOR MURKOWSKI: I am through. Thank you, Mr. Chairman.  
23 Thank you, Mr. Casey.

24 THE CHAIRMAN: Okay. Sam Nunn.

25 SENATOR NUNN: Mr. Chairman, I'll try to make my questions

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1 to the point, and maybe we could get as close to that kind of  
 2 answer also, Director Casey. First question. Did we or did  
 3 Israel deliver any spare parts for the F-4s or the M-48 tanks?

4 MR. CASEY: I don't know, off hand.

5 SENATOR NUNN: How about the Israelis? Did they?

6 MR. CASEY: I don't know.

7 SENATOR NUNN: Could you search the intelligence files and  
 8 give us that answer, please?

9 MR. CASEY: Yes.

10 SENATOR NUNN: I have here a staff summary of [REDACTED]

11 MR. CASEY: Huh? What is that?

12 SENATOR NUNN: I have here a staff summary of [REDACTED]  
 13 [REDACTED] and I know this is sensitive, and I  
 14 have already asked the Director here, Barnie, to see if everyone  
 15 can stay in for this, and he says they can. I would like to  
 16 read you just two or three of these [REDACTED]

17 [REDACTED] And ask you  
 18 if you could, to be brief, true, false or partial, just one of  
 19 those, because I don't have time to go through all of them. I  
 20 would like to come back and do this in detail.

21 First of all, this is quoting from this memorandum, [REDACTED]  
 22 [REDACTED] at least, all the discussions pertain to deals of arms  
 23 sales in return for the release of hostages.

24 MR. CASEY: Well, that doesn't surprise me. [REDACTED]

25 [REDACTED] There were [REDACTED]

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[REDACTED] and even asking you could think of was in them.

2 SENATOR NUNN: All right. Second, the first arms delivery  
3 involving the United States is on September 14th, 1985, the same  
4 day that Reverend Weir is released. [REDACTED]  
5 [REDACTED]  
6 [REDACTED]  
7 [REDACTED]

8 MR. CASEY: I don't know where that comes from; I don't know  
9 how to assess it.

10 SENATOR NUNN: Third. [REDACTED]  
11 [REDACTED]  
12 [REDACTED]  
13 [REDACTED]  
14 [REDACTED]

15 MR. CASEY: One man's opinion. [REDACTED]  
16 [REDACTED]  
17 [REDACTED]

18 SENATOR NUNN: All right. Next question. Is it true that  
19 we were supplying intelligence to both Iran and Iraq?

20 MR. CASEY: Yeah.

21 SENATOR NUNN: On tactical --

22 MR. CASEY: No. At different times -- I can tell you the  
23 story on that. We have been providing intelligence to Iraq for  
24 three years, and this tactic -- more substantive, and when this  
25 relationship with Iran developed, we were providing intelligence.

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1 about the Soviet threat in the north, and some intelligence about  
2 deployments way back in the -- quite a ways from the front of  
3 Iraqi --

4 SENATOR NUNN: Let me -- I am going to have to come back on  
5 all of these, but let me move on. [REDACTED]  
6 [REDACTED]  
7 [REDACTED]  
8 [REDACTED]  
9 [REDACTED]

10 MR. CASEY: Well, he probably was.

11 SENATOR NUNN: Was that information accurate?

12 MR. CASEY: We don't know. We don't know. We think Buckle  
13 was killed by the captors -- I'm not sure about that. He died.  
14 Died of pneumonia, but it was --

15 SENATOR NUNN: It seems to me this directly conflicts every  
16 thing we have heard from the President about the fact that the  
17 Iranians were being more cooperative. [REDACTED]  
18 [REDACTED]

19 MR. CASEY: That goes back two years ago. No, I'm not --  
20 no, we're not saying that the Iranians are any saints. We're  
21 saying they moved a little bit. That's all we've ever said.

22 MR. GEORGE: Senator Nunn, may I say, sir, that Mr. Allen  
23 here has those with him, and we can go over those with you at  
24 some time. Some of this is false, true, this and that on both  
25 things.

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1 SENATOR NUNN: I understand that. It may or may not be  
2 true. Now, here is my point, and this to me is very important.  
3 First of all, we know that these were [REDACTED] They came from  
4 our government. Now, who was furnished these [REDACTED] as this  
5 whole operation was transpiring? Were you, Director Casey,  
6 furnished these [REDACTED]

7 MR. CASEY: Yeah, I had them.

8 SENATOR NUNN: Who else?

9 MR. CASEY: Can't tell you. Charlie, can you tell us who  
10 was getting those [REDACTED]

11 MR. ALLEN: Yes, sir. It was the National Security Advisor,  
12 Mr. McFarlane and then Mr. Poindexter; the Secretary of Defense,  
13 Mr. Weinberger; and the Assistant to the Chairman of the Joint  
14 Chiefs of Staff.

15 SENATOR NUNN: Who is that?

16 MR. ALLEN: That was Admiral Moreau and then it was Bennett  
17 and then Mohring, General Mohring.

18 SENATOR NUNN: So the Joint Chiefs had these [REDACTED]

19 MR. ALLEN: Yes, sir.

20 SENATOR NUNN: Director Casey, if we knew this [REDACTED]  
21 [REDACTED]  
22 [REDACTED]  
23 [REDACTED]  
24 [REDACTED]  
25 [REDACTED]

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1 [REDACTED]  
2 [REDACTED] I just  
3 don't understand. This is --

4 MR. CASEY: I think you have to understand that what you are  
5 getting here [REDACTED]  
6 [REDACTED]  
7 [REDACTED]

8 [REDACTED] It was all very --  
9 very little credibility. And I don't think we have put too much  
10 assessment [REDACTED]

11 SENATOR NUNN: [REDACTED]  
12 [REDACTED]  
13 [REDACTED]

14 MR. CASEY: Just [REDACTED] opinion.

15 MR. GEORGE: That is [REDACTED] Senator Nunn, and  
16 goodness knows what [REDACTED]  
17 [REDACTED]

18 SENATOR NUNN: [REDACTED]  
19 [REDACTED]

20 MR. GEORGE: That is [REDACTED]  
21 [REDACTED]

22 MR. CASEY: [REDACTED]  
23 [REDACTED]

24 MR. GEORGE: Using the names of [REDACTED]  
25 [REDACTED] government officials.

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1 SENATOR NUNN: [REDACTED]  
2 [REDACTED]  
3 [REDACTED]  
4 [REDACTED]  
5 [REDACTED]

6 MR. ALLEN: These individuals that were principally involv  
7 [REDACTED] were people involved strictly in procur  
8 ment activities, and it is not surprising that they looked at t  
9 in a very narrow context. You cannot understand this project  
10 just on the basis of [REDACTED] and I think I can interpre  
11 a good deal of the material for you. ]

12 SENATOR NUNN: Well, I am not saying that we could say tha  
13 all this is accurate. I am saying that here we have the top  
14 four or five people, including NSC people, including Director  
15 Casey, including others, that understood and were informaad all  
16 along [REDACTED]  
17 [REDACTED] and yet we continued right  
18 on. ]

19 That's all, Mr. Chairman.

20 THE CHAIRMAN: Mr. Moynihan.

21 SENATOR MOYNIHAN: Mr. Director, do you have four minutes?

22 MR. CASEY: Yes, sir.

23 SENATOR MOYNIHAN: Well, first off, on a personal laval,  
24 is it your view that Bill Buckley is dead?

25 MR. CASEY: Yes.

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1 SENATOR MOYNIHAN: That's very sad.

2 MR. CASEY: I think we have had that view for a couple of  
3 years.

4 MR. GEORGE: The hostages that have been let out, Senator  
5 Moynihan, have as much as confirmed that.

6 SENATOR MOYNIHAN: And was he held by Iranians, Iranian  
7 supporters?

8 MR. CASEY: No, held by hezbollah; Lebanese hezbollah.

9 SENATOR MOYNIHAN: Two questions, sir. We're sorry to hear  
10 that, and I think we assumed that from what we've read in the  
11 press. You said, as Senator Murkowski remarked, that the  
12 President had twice invoked the, what we might call the  
13 constitutional exception in 501, saying in advance that the  
14 Committees will not be notified, saying in advance that we would  
15 not give advance notification. But this is not the -- there has  
16 been more than two occasions on which an activity has been  
17 authorized about which we have not been in fact notified. The  
18 mining of Nicaraguan harbors.

19 MR. CASEY: Oh, no, now, I take exception to that. That  
20 clearly authorized. It was a change in tactics which we probably  
21 should have told you about, and we actually did, and it was  
22 publicly announced that this was going on. It was publicly  
23 announced that the harbors were being mined. The EDN announced  
24 it to the world. And we told the Committees right away, as soon  
25 as they got back in town.

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1 SENATOR MOYNIHAN: Mr. Casey, this was 1984, as we ended up  
2 you signed and Senator Goldwater signed and I signed and the  
3 President approved a whole statement about this matter. Well,  
4 that is your recollection. Let's --

5 MR. CASEY: My recollection, I'll pick the historical recor-  
6 out on it. In the transcript.

7 SENATOR MOYNIHAN: But this is the point I want to ask you.  
8 We got into an operation here in which it was very questionable  
9 whether you could call it an intelligence operation. It was a  
10 diplomatic and a military initiatives and so forth. But it  
11 was quite explicitly the case that the Iranians would know what  
12 we were doing. Some Iranians would. Some Iranian military, some  
13 Iranian intermediaries, cargo handlers, soldiers.

14 MR. CASEY: Like we were dealing with Hitler's -- the guys  
15 that were trying to kill Hitler.

16 SENATOR MOYNIHAN: Were we sending arms to Nazi Germany?

17 SENATOR LEAHY: We only have an eight year term now.

18 MR. CASEY: Oh, yeah.

19 SENATOR MOYNIHAN: I see. I guess the question is, so it  
20 was inevitable that the Iranians begin by knowing, and inevitab-  
21 are going to find the day comes when it is to their advantage to  
22 make public what the Great Satan has been up to. Wasn't this  
23 really a means of concealing from the American public what was  
24 know by our adversaries?

25 MR. CASEY: I don't think we thought about it that way.

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1 can view it that way.

2 SENATOR MOYNIHAN: Could I just say this. It seems to me  
3 that the interests of the Agency, the interests of the community  
4 which this Committee is trying to protect, is so defeated -- you  
5 interests are so defeated when you are used for political purposes  
6 which are beyond your --

7 MR. CASEY: Well, why do you say political purposes. We  
8 were used for national purposes, to achieve national objectives.

9 SENATOR MOYNIHAN: But the political object was to see that  
10 for a long period of time the Iranians would know what the Ameri-  
11 people did not know.

12 MR. CASEY: Well, I didn't view it that way. I viewed it  
13 as protecting the people who were taking -- risking their lives  
14 in this undertaking.

15 SENATOR MOYNIHAN: Did we seriously suppose that you would  
16 establish assets in Iran whose situation would be more secure  
17 by the fact -- their situation would not be immediately comprom-  
18 the moment it was learned they had been in touch with the Unite-  
19 States government and receiving weapons from them?

20 MR. CASEY: That is why we tried to keep it quite, because  
21 we knew they would jeopardized.

22 SENATOR MOYNIHAN: How could it be kept quiet.

23 MR. CASEY: We did keep it quiet for a while. This is a  
24 risky, risky, hairy business.

25 SENATOR MOYNIHAN: But I would have thought if you had tr

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1 to get people to try to influence people inside Iran, you would  
2 get in touch with your enemies and say they were your friends,  
3 and that way they would shortly be eliminated.

4 MR. CASEY: I've got to think about that. Maybe I missed  
5 a point there, missed a trick.

6 SENATOR MOYNIHAN: Thank about it. I must say you put in  
7 jeopardy -- I ask the gentlemen behind you, you put in jeopardy  
8 the confidence, this whole relationship which we worked so hard  
9 to build up. And it was not the case that this Committee was  
10 told in advance of the Nicaraguan harbor mining. I had -- and  
11 it was Mr. McFarlane, who, Mr. Goldwater having said we were  
12 not informed, and said so publicly in a letter to you, Mr.  
13 McFarlane went to the Naval Academy, said we were. I said if  
14 that is the case, I am not going to be Vice Chairman of this  
15 Committee. And you very manfully came before this Committee and  
16 apologized three weeks later, sir.

17 MR. CASEY: I apologized that I might have anticipated this  
18 is something that I might have made a specific disclosure about  
19 earlier on. I did make disclosure next time I talked to you. It  
20 is right there on the record. Senator Goldwater knows it and  
21 has admitted it. It is right there. And there was no attempt  
22 to conceal it because the FDN themselves announced they were  
23 doing it the moment they did it.

24 SENATOR MOYNIHAN: I think the pattern in both these cases  
25 is our adversaries know something the Congress doesn't, though

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1 I can't see how that advances the interests of the intelligence  
2 community.

3 MR. CASEY: My God, Congress knew as soon as they got back  
4 to work and were ready to meet. They were told.

5 SENATOR MOYNIHAN: Well, sir, I only am trying to tell you  
6 what I think. I am obviously not going on now. Thank you, ver-  
7 much, Mr. Chairman.

8 THE CHAIRMAN: Thank you, Pat.

9 Bill, what is the explanation of the failure of the Agency  
10 to notify this Committee of the \$40,000 that was expended on the  
11 various TDY and other funds required by law?

12 MR. CASEY: Well, I am not -- can anybody answer that  
13 question? I am too tired.

14 MR. GEORGE: I think I authorized those, and I could have  
15 been mistaken. We were sending staff officers on staff travel  
16 and we paid in a normal staff manner as we would normally do in  
17 travel and per diem on any finding. We wouldn't charge travel.  
18 The hotel room rentals and the audio [REDACTED] of those rooms would  
19 normally have been charged against a covert action, and it was  
20 not.

21 THE CHAIRMAN: And the legal explanation for the failure to  
22 notify --

23 MR. GEORGE: Sir?

24 THE CHAIRMAN: Is one of you going to give us the legal  
25 explanation?

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1 MR. GEORGE: I will take full responsibility for that.

2 MR. DOHERTY: Let me just add a legal aspect on it. I think  
3 that 502 speaks in terms of reporting. We're talking 30 to  
4 \$40,000 by the way. It speaks in terms of reporting to the  
5 Committees these funds, if read literally, would totally eviscerate  
6 501, and I think that issue was considered in the context of 502  
7 and there is some suggestion in the statutory history that they  
8 should be read consistent with one another. And so I would say  
9 that we could -- would have to make the two provisions consistent  
10 and accordingly that would take us back into 501 for purposes of  
11 reporting. And you know, then you have the overlay of the  
12 Constitution.

13 THE CHAIRMAN: Any other questions from Members of the  
14 Committee?

15 SENATOR BRADLEY: Just one quick one. I would just like to  
16 ask, I guess Mr. George or Armitage or Armacost, what has happened  
17 to our contacts in Iran since all this has blown up? You know,  
18 the premise of this was gee, we wouldn't want to tell the Congress  
19 because it might endanger our contacts in Iran. What has happened  
20 to them now?

21 MR. GEORGE: It is my understanding, Senator Bradley, that  
22 extremely sensitive contacts continue.

23 SENATOR BRADLEY: So it didn't endanger them?

24 MR. ALLEN: Yes.

25 MR. GEORGE: Of course it endangers them.

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1 SENATOR MOYNIHAN: They were purchasing arms for their  
2 government. They were procurement agents.

3 MR. GEORGE: I am informed that the contacts continue and  
4 obviously it is very dangerous for them.

5 SENATOR NUNN: I can't hear; excuse me.

6 MR. GEORGE: Contacts continue, Senator Nunn, sensitive  
7 contacts with these individuals, and to answer the question, of  
8 course it is dangerous for them. It is very dangerous in Tehran  
9 now for all the factions, as once again they go at each other.

10 SENATOR BRADLEY: When was the last contact?

11 MR. GEORGE: The last contact?

12 MR. ALLEN: There have been -- based on some intelligence  
13 that we received as of yesterday, it would indicate that contacts  
14 are continuing, but that the people involved in these contacts  
15 are under surveillance and in extreme danger.

16 MR. McMAHON: Senator Bradley, Admiral Poindexter told us  
17 this morning that the most recent contact was yesterday.

18 SENATOR BRADLEY: Yesterday. In the midst of all of this.  
19 So the contacts continue in the midst of this furor, but you  
20 wouldn't risk telling the Congress because it would endanger the  
21 contacts.

22 SENATOR BYRD: Who is on our end of the contacts that  
23 occurred as recently as yesterday?

24 MR. McMAHON: I don't know the answer to that. I assume that  
25 it is someone who was in contact with Admiral Poindexter.

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1 MR. GEORGE: It is the National Security Council, Mr. Leader  
2 MR. McMAHON: Someone on the National Security Council.  
3 SENATOR BRADLEY: Someone on the National Security Council  
4 yesterday had contact with one of these people?  
5 MR. ARMACOST: I think National Security Council staff they  
6 must have meant.  
7 SENATOR BRADLEY: No, but someone on the National Security  
8 Council staff yesterday had contact with some of these -- some  
9 of our sources.  
10 THE CHAIRMAN: That is what we were told.  
11 MR. ALLEN: With the assistance of intermediaries.  
12 MR. GEORGE: Through intermediaries.  
13 SENATOR BRADLEY: That should really make the Secretary  
14 of Defense and the Secretary of State feel very confident that  
15 the foreign policy of this country is being handled well.  
16 SENATOR BYRD: With the assistance of intermediaries; they  
17 being Israelis?  
18 MR. GEORGE: I think in this case they are exiled Iranians.  
19 SENATOR BYRD: Living?  
20 MR. GEORGE: In Europe. In Western Europe.  
21 SENATOR BYRD: Paris?  
22 MR. ALLEN: And there are some private Americans.  
23 MR. GEORGE: I don't know where they live.  
24 SENATOR BRADLEY: So what you are saying is that this whole  
25 thing could be compromised even more were they discovered? The

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1 whole thing could blow up in the next week, two weeks, three week  
2 into something much more serious than even now we're aware of,  
3 because contacts continue and risks are being taken daily, is  
4 that correct?

5 MR. GEORGE: Well, I am not sure that -- I don't want to be  
6 the one standing here trying to explain it, but it would seem to  
7 me that if you had contacts and you maintained those contacts and  
8 your purpose was to have contacts with individuals in Iran, that  
9 just because it all blew up in Washington, D.C., you wouldn't  
10 stop having contacts.

11 SENATOR BRADLEY: But you are saying no, there's no --

12 MR. GEORGE: I don't know that, but I am not sure that it is  
13 absolute in your description.

14 SENATOR BYRD: But isn't it implicit, if the Senator would  
15 yield, if they are under surveillance as we are told, that they  
16 are very much at risk. They are under surveillance. And if we  
17 know they are under surveillance, and if we are so concerned  
18 about the risk to their lives, why don't we stop this contact?

19 MR. GEORGE: I can't answer that.

20 SENATOR NUNN: Mr. Chairman, could I ask a couple of questions  
21 of Ambassador Armacost and Mr. Armitage.

22 THE CHAIRMAN: Senator Nunn.

23 SENATOR NUNN: Do either of you know whether Israel has  
24 shipped the spare parts for the tanks or the F-4 aircraft?

25 MR. ARMACOST: I don't know.

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1 MR. ARMITAGE: I don't know either. Those have been allega  
2 tions that we've heard from time to time, but I have no definiti  
3 knowledge of that at all.

4 SENATOR NUNN: Mr. Armacost, the State Department had an  
5 aggressive program to try to prevent the shipment of arms from  
6 everywhere in the world to Iran for two or three years. I know  
7 Ambassador Fairbanks had that job of going around the world.  
8 Maybe other people did. And yet Israel being a close ally of  
9 our's, we don't know whether they have shipped crucial parts for  
10 tanks and F-4 aircraft? Have we asked them?

11 MR. ARMACOST: In my experience, Senator Nunn, in the last  
12 two and a half years in many meetings it's come up, and on each  
13 occasion we've represented to them as we've represented to other  
14 governments the purposes of our staunch operation of stemming  
15 the flow to Iran. They have just as regularly denied in our  
16 contacts that any government transfers were taking place, althou  
17 they generally allowed a caveat to hang out there that private  
18 activity might be going on which was beyond their control. I  
19 certainly --

20 SENATOR NUNN: How do you personally view it, given the  
21 background in policy, to know now -- maybe you did in years befor  
22 that some of these parts were being carried, whatever, by the  
23 CIA's aircraft.

24 MR. ARMACOST: Well, I made a lot of these representations  
25 myself, and I feel a little foolish.

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1 SENATOR NUNN: Had you known that before, that we were  
2 actually --

3 MR. ARMACOST: No, I didn't know it before. I heard about  
4 this November --

5 SENATOR NUNN: -- using CIA proprietary aircraft to ship  
6 parts to Iran. Had you known that?

7 MR. ARMACOST: No, I learned that yesterday.

8 SENATOR NUNN: Had Secretary Shultz known that?

9 MR. ARMACOST: Not as far as I am aware.

10 SENATOR NUNN: Mr. Armitage, had you known that?

11 MR. ARMITAGE: Secretary Weinberger did not know that.

12 SENATOR NUNN: Do you find it incredible that we would have  
13 one of our agencies not only doing that, but our CIA would not  
14 know what was being shipped on its own aircraft?

15 MR. GEORGE: I don't find that amazing.

16 SENATOR NUNN: I am asking -- I am not asking you, Mr.  
17 George, I am asking the witnesses. I'll be glad for you to  
18 answer in a minute.

19 MR. GEORGE: I am sorry, sir.

20 MR. ARMACOST: Well, I am not very familiar with these  
21 proprietary arrangements, but I do find it somewhat surprising.

22 SENATOR NUNN: Mr. Armitage?

23 MR. ARMITAGE: I think the facts speak for themselves.

24 SENATOR NUNN: What does that mean?

25 MR. ARMITAGE: Well, that means that it is surprising, of

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1 course.

2 SENATOR NUNN: One other question to both of you. The TOW  
3 missiles and the HAWK antiaircraft missiles, under the circum-  
4 stances in the Middle East now between Iran and Iraq, do you  
5 consider these, Ambassador Armacost, to be defensive weapons?  
6 In the Iranian hands?

7 MR. ARMACOST: Well, I think it always is a matter of for  
8 what purposes weapons are used.

9 SENATOR NUNN: That is why I asked you considering the  
10 circumstances with Iran, saying their goal is to topple the  
11 government in Iraq. How would you view those in your own person:  
12 view of those weapons? Offensive or defensive, under the  
13 present circumstances, in Iranian hands?

14 MR. ARMACOST: Well, I wouldn't be surprised if the Iraqis  
15 would regard them as something other than defensive.

16 SENATOR NUNN: How do you view them?

17 MR. ARMACOST: Well, to the extent they were used against  
18 Iraqi forces while they were deployed in Iraq, they would be  
19 something other than defensive, but I don't know whether any of  
20 them have been used. I really frankly don't know much about  
21 their disposition.

22 SENATOR NUNN: Mr. Armitage, how would you view TOW missile  
23 under the present circumstance being given to Iran, defensive or  
24 offensive?

25 MR. ARMITAGE: I view them as defensive, and further given

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1 the overwhelming superiority of Iraq in terms of armor, in terms  
2 of APC type vehicles, to be not a balance affecting factor in the  
3 war.

4 SENATOR NUNN: You don't think 2,000 TOW missiles affect the  
5 balance?

6 MR. ARMITAGE: Oh, indeed, 2,000 TOWs could, if the TOW team  
7 etc., had been well trained, and there were sufficient launchers,  
8 Senator, to make them effective.

9 SENATOR NUNN: Well -- so you think it could affect the  
10 balance?

11 MR. ARMITAGE: No, I said that my own feeling is that even  
12 if they were very effective crews, that the overwhelming prepon-  
13 derance of APCs and tanks, armored vehicles, on Iraq's side,  
14 make them not a large factor in the balance.

15 SENATOR NUNN: Would you view Soviet missiles and missiles  
16 in the Soviet hands in Europe, TOW missiles, when they are poised  
17 toward an action in Western Europe, as being a defensive weapon?

18 MR. ARMITAGE: If they came across the border, I certainly  
19 would not.

20 SENATOR NUNN: All right, sir. That is what the Iranians  
21 have said they are going to do, Mr. Armitage. They have said  
22 they are going to try to take Iraq. Now, how can you view TOW  
23 missiles as defensive under those conditions. It is incredible.  
24 Do you think the Iraqis are about to take Iran?

25 MR. ARMITAGE: No, we don't feel that that is the case.

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1 SENATOR NUNN: Don't you view the balance is the opposite?

2 MR. ARMITAGE: I view the balance in favor of Iraq.

3 SENATOR NUNN: The balance in favor of Iraq?

4 MR. ARMITAGE: The balance of forces is, by anybody --

5 SENATOR NUNN: I am saying in terms of the likelihood of  
6 Iraqi offensive action now taking Iran; you think that is more  
7 likely than Iran taking Iraq?

8 MR. ARMITAGE: No. I think the Iranians will light off any  
9 offensive operation.

10 SENATOR NUNN: Who do you think would be more likely to  
11 be able to seize substantial parts of the territory of the other  
12 side?

13 MR. ARMITAGE: At the present time I think the likelihood  
14 of either side seizing substantial parts is very small.

15 SENATOR NUNN: So there is no such thing in your book then  
16 as a TOW missile being used offensively.

17 MR. ARMITAGE: No, of course it could be used offensively.  
18 That was not the question you asked me, Senator. You asked me  
19 my view of this sale. It could be used offensively, obviously.

20 SENATOR NUNN: Well, don't you think that is what the  
21 Iranians plan to do with it?

22 MR. ARMITAGE: I think in this case probably not. Frankly  
23 I think that I would view them coming across the marshes again and  
24 would make the TOWs not every effective in this environment. That  
25 is were I view the offensive perhaps coming from.

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1 SENATOR NUNN: Why do they need the TOW missiles then? If  
2 they are going on the offense and they are announcing a final  
3 offensive?

4 MR. ARMITAGE: You'll have to ask someone else that question  
5 Senator. I don't have knowledge of why they requested this or  
6 why the decision was made to give these particular systems.

7 SENATOR NUNN: What you're saying is they are useless to  
8 the Iranians, then.

9 MR. ARMITAGE: No, I didn't say they are useless. I said  
10 that I could see them defensively being used, and I do not see  
11 them being used where I think the offensive will come.

12 SENATOR NUNN: They could be used defensively after they  
13 have seized certain Iraqi territory, and then there is a counter-  
14 attack. Do you define that as defensive or offensive?

15 MR. ARMITAGE: If I were the Iranis, in that case I would  
16 define it as defensive. But I take your point. We can argue  
17 this point. I tried to answer your question.

18 SENATOR BRADLEY: Could I just follow on to Sam's question  
19 with one question.

20 THE CHAIRMAN: Senator Bradley.

21 SENATOR BRADLEY: You said that their defensive -- they are  
22 not -- there are no teams.

23 MR. ARMITAGE: The teams aren't trained.

24 SENATOR BRADLEY: Not trained. Is there any information,  
25 either Mr. George, Mr. Armacost, or Mr. Armitage, of technicians,

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1 trained, heading or present in Iran, trained by Israelis or  
2 third parties, or Israelis, now in Iran?

3 MR. ARMACOST: I don't have any information.

4 MR. GEORGE: I have none.

5 MR. ARMITAGE: I have none. Other Arab nations have some-  
6 times speculated on that. I have no knowledge.

7 SENATOR BRADLEY: So to the best of our knowledge, they just  
8 have all of this hardware and they have no knowhow.

9 MR. ARMITAGE: Well, they have limited knowhow, because it  
10 has atrophied over the years; yes, Senator.

11 SENATOR BRADLEY: But your assessment would dramatically  
12 increase if there was an upgrade in knowhow with the weapons that  
13 are there.

14 MR. ARMITAGE: My assessment would increase.

15 THE CHAIRMAN: Gentlemen, as a part of the record of this  
16 hearing there are a series of questions from Senator Carl Levin  
17 and some other questions from the Chairman. If they could be  
18 responded to.

19 SENATOR LEAHY: I will also during the next few days possible  
20 have some more questions. And I would notify Mr. George, you may  
21 want to pass on to Mr. Casey the same message I gave Admiral  
22 Poindexter this morning. I fully take it as word of the President  
23 when he says we will have absolute, total, full cooperation, and  
24 I will have several more questions to ask because there are  
25 still questions unanswered in my mind.

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1 THE CHAIRMAN: Ladies and gentlemen, thank you very much.  
 2 The hearing is adjourned.  
 3 (Whereupon at 1:55 o'clock p.m., the hearing was adjourned.)  
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## INTERVIEW OF

ROBERT GATES: DEPUTY DIRECTOR OF CENTRAL INTELLIGENCE

Room 5026

New Executive Office Building

Washington, D. C.

Monday, January 12, 1987

The interview commenced at 2:03 p.m.

## BEFORE:

The Honorable John Tower, Chairman

The Honorable Edmund Muskie

General Brent Scowcroft

## ALSO PRESENT:

Rhett Dawson, Esq., Director

W. Clark McFadden, Esq., General Counsel

Nicholas Rostow, Esq.

Brian M. Bruh

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1  
2 CHAIRMAN TOWER: Bob, we want to thank you for  
3 coming today. We feel that your testimony will be of  
4 very great importance to us, since it seems to be  
5 unlikely we will have a chance to talk to the DCI before  
6 we complete our work. And so we'd like as much help from  
7 you as we can get.

8 What we'd like for you to do in just your own  
9 narrative form is relate all of your involvement in what  
10 we have just called the Iran-contra affair from the time  
11 you first became involved, or any knowledge you had of it  
12 before you became involved would be helpful to us. We  
13 understand that your participation is fairly limited  
14 until October of last year, but anything you can say, any  
15 knowledge you have of before that, we would appreciate.

16 There are a number of things we will be  
17 interested in: your assessment of how the NSC staff  
18 functioned in all of this; why the CIA was not the lead  
19 agency in the program; and the other questions we will  
20 probably raise from time to time.

21 The session is Top Secret. If you have to go  
22 nto any Codeword matters or feel it desirable to do so,  
23 or if we ask any questions that might lead you into  
24 Codeword areas, please flag it for us because we will  
25 have to clear the room of one or two people.

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1 So with that in mind, if you could proceed and  
2 do so in your own way.

3 MR. GATES: All right. Before I go through my  
4 role let me mention a couple of things that we are  
5 providing to the Commission either today or tomorrow. We  
6 will make available to the Commission the internal  
7 factfinding study that was done by the Agency's Inspector  
8 General established by the Director, I think on November  
9 26. That document lays out in great detail all of the  
10 Agency's activities in the entire affair.

11 The second is a speech that I gave to Agency  
12 employees, which is being provided to all Agency  
13 employees. I gave the speech on Thursday. It lays out  
14 CIA's role in somewhat less detail, but offers some  
15 self-critical judgments about the Agency's role and where  
16 we made mistakes and so on, both of which may be of some  
17 value to the Commission.

18 CHAIRMAN TOWER: Yes.

19 MR. GATES: In terms of my role, I think it  
20 perhaps would be useful to start by addressing two pieces  
21 of intelligence analysis that may have played some role  
22 in the White House's interest in establishing a  
23 connection with the Iranians, although it all happened  
24 prior, as far as I can tell, the commencement of any  
25 direct dealings with the Iranians.

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1 The first of these is a memorandum to the  
2 Director, to the Deputy Director, and to me at that time  
3 as Deputy Director for Intelligence and Chairman of the  
4 National Intelligence Council by Graham Fuller on May 17,  
5 1985. In this memorandum Graham laid out his view that  
6 the Soviets appeared to have a number of opportunities to  
7 advance their relationship in the ensuing months with the  
8 Iranians and also laid out the notion that there could be  
9 some significant instability in Iran before Khomeini died.

10 He then made a number of suggestions or listed  
11 several options that -- well, he stated that in this  
12 contest for influence in Iran the United States was at  
13 that time at a disadvantage because we remained frozen in  
14 hostility to the Iranians with virtually no contact,  
15 whereas the Soviets were beginning to establish some  
16 connections.

17 He then laid out the suggestions for ways in  
18 which we might break through that, break through that  
19 frozen hostility and establish, begin to make some  
20 western connections with the Iranian government. He  
21 suggested such things as the only military option  
22 directly relating to Iran and the United States, he  
23 mentioned, was withdrawing -- that if we wanted to make a  
24 gesture of good will we could withdraw our units from the  
25 Persian Gulf.

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1 But other suggestions he made included a more  
2 adversarial relationship, taking into account what the  
3 Soviets were up to in which the United States might  
4 provide significantly enhanced weapons for both Iraq and  
5 Pakistan as regional actors, particularly changing our  
6 policy toward Iraq, which would not certainly gain us any  
7 credit in Tehran but would be an adversarial way of  
8 trying to intimidate them.

9 Another approach that he suggested might be  
10 considered would be to let the Western Europeans try to  
11 establish some contacts in Tehran and encourage them to  
12 do that, and in effect act as a buffer between us and the  
13 Iranians, but establish some Western or Japanese  
14 influence in Tehran. He listed five or six of these  
15 possibilities and the one he ultimately recommended as  
16 his own personal view was to let the West Europeans serve  
17 as intermediaries, for the United States not to do  
18 anything directly.

19 But since there has been so much written about  
20 that memorandum and some misinformation about what Graham  
21 said and what he recommended, I thought it was worth  
22 laying out, since that was done under my auspices, what  
23 in fact he had said. That memorandum obviously is  
24 available to the Commission.

25 GENERAL SCOWCROFT: Bob, is it your sense that

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1 this was self-initiated by Graham, not preceded by any  
2 (a) discussions with NSC, like Howard Teicher, or with  
3 Israelis or anything? In other words, you sort of  
4 describe this as the first thing.

5 MR. GATES: Yes. My impression has always been  
6 that it was self-initiated. I have not specifically  
7 queried Graham on who he talked to or if somebody asked  
8 him to think about it. We encourage the NIOs to do these  
9 kinds of memoranda.

10 CHAIRMAN TOWER: So it would not be unusual to  
11 have a self-starter in this area?

12 MR. GATES: Not at all. And Graham is one of  
13 the most prolific on that score. He would not have  
14 needed much of an excuse to sit down at his typewriter.

15 MR. ROSTOW: Excuse me. I have one question  
16 about that. Did anybody mention the fact that there was  
17 an existing channel of communication between the U.S. and  
18 Iran [

19 MR. GATES: No. He didn't mention that in his  
20 paper at all. As I recall, then we received a specific  
21 tasking from the NSC, the NSC staff member for the Middle  
22 East. I don't remember whether it was Teicher or Kemp at  
23 the time. I guess Kemp may have been gone at that time.

24 But we then received a specific tasking  
25 memorandum for a special National Estimate on the

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1 prospects for instability in Iran, and that produced a  
2 Special National Intelligence Estimate on the 30th of  
3 May, just two weeks later, on prospects for instability  
4 in Iran.

5 There are two general themes in that estimate  
6 that are worth noting. One was that it picked up on the  
7 concern in Graham's memorandum -- and Graham was the  
8 author of the Estimate or the supervisor of the  
9 preparation of the Estimate -- but it picked up on his  
10 theme about the possibilities that existed for the  
11 Soviets to enhance their position in Iran over the  
12 ensuing six to nine months or so, that there were some  
13 trade delegations that were being talked about, and there  
14 were some other signs that there were some economic ties  
15 being established and so on, that there were a number of  
16 bits and pieces that offered the prospect of an enhanced  
17 relationship between the two.

18 The other main theme of the Estimate was that,  
19 given all of the internal problems in the Estimate in  
20 Iran, the Estimate forecast that there might be  
21 considerable instability in-country before Khomeini  
22 died. So it was a fairly pessimistic assessment of what  
23 the near-term future looked like in Iran.

24 Now those two pieces of paper were the primary  
25 finished intelligence at about the time that this whole

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1 thing, as it my impression, began to get under way with  
2 Iran through McFarlane or whatever. I don't have the  
3 faintest idea what, if any, influence they had on the  
4 decision to go forward.

5 They were there. The NSC clearly was  
6 interested because of this formal tasking paper that we  
7 received for the Estimate after they had read Graham's  
8 original memo. So they may have played some role in that  
9 regard.

10 GENERAL SCOWCROFT: At that point, either as a  
11 result of the SNIE or whatever, were you all beating the  
12 drums about the Soviet threat, about some new, enhanced  
13 Soviet threat in Iran and so on? I mean, was there  
14 developing a sense of urgency in that sense? So far it  
15 doesn't sound like anything new, really.

16 MR. GATES: No, not particularly. The bits and  
17 pieces that we had didn't suggest that the Soviets were  
18 suddenly ready to make a giant breakthrough in Iran, but,  
19 rather, that in a gradual process there looked like a lot  
20 of opportunities for them to get a real foot in the door  
21 over the next nine months or a year or whatever. But  
22 other than these pieces of paper we weren't really all  
23 agitated about it.

24 If I can go to Codeword for a minute --

25 CHAIRMAN TOWER: Hang on a second.

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(Whereupon, at 2:15 p.m., the interview proceeded into Codeword session.)

(Whereupon, at 2:17 p.m., the interview resumed in Top Secret session.)

MR. GATES: If I may resume, my first connection with this business came on the 5th of December, 1985, when the then-DDCI, John McMahon, held a meeting in his office consisting of myself, Bob Layton, the Director of the Near East analytical office, Ed Junowicz, the Associate Deputy Director for Operations, [ ] the Chief of NE Division, and [ ] the Deputy Chief of the European Division.

We later determined, later that day, and reported back to him that that was not true. [REDACTED]

[REDACTED]

[REDACTED]

He asked some questions about the tank strength of the Iranians. He asked about a biography of the head

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1 of the Iranian Air Force. There were four or five  
2 questions like this, and I only remember it because his  
3 special assistant jotted down some notes and has  
4 reconstructed those. I didn't frankly remember any of  
5 it.

6 He then turned to the operations guys and asked  
7 a series of questions. He got a report on the fact that  
8 the plane, which I now know in retrospect was the one  
9 that went on the 23rd and 24th through Tehran that we had  
10 from our proprietary, that the plane had gone, that they  
11 were uncertain what had been on the plane. There was  
12 some speculation at this meeting on the 5th whether there  
13 had been HAWK spare parts on it.

14 He indicated or there was -- I don't remember  
15 who said it -- that there was an indication that more  
16 planes were going. And he was told by [ ] that the  
17 Finding had been signed. He asked about the Finding and  
18 was told that the Finding had been signed. So those of  
19 us who were at the meeting had the impression that there  
20 was some sort of ongoing initiative that probably  
21 involved the U.S. Government delivering arms of some sort  
22 to Iran. But it was still pretty sketchy at that point.

23 We did not get in at that meeting to a lot of  
24 detail about really anything about the flight on the 23rd  
25 and 24th, or how it had all been laid on or anything

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1 else. But those few pieces of information gave us some  
2 insight into the fact, from the analytical side, to those  
3 of us on the analytical side, that there was something  
4 very substantial going on.

5 GENERAL SCOWCROFT: And that was the first you  
6 had heard about the operation?

7 MR. GATES: That's right.

8 The next thing, where I got involved in all of  
9 this, was on the 24th of January, when, as DDI, I was  
10 asked for our people to prepare an [REDACTED]  
11 [REDACTED] that could be shared with [REDACTED] as part of  
12 a relationship -- some contacts going on between  
13 ourselves and [REDACTED] I objected to the  
14 preparation of intelligence that would be given to the  
15 [REDACTED]

16 We were very concerned about [REDACTED] that time  
17 and how [REDACTED] was. And in fact  
18 we remained very worried about [REDACTED] really  
19 until late August or September of this year, when the  
20 [REDACTED] began to turn things around  
21 psychologically or give the [REDACTED]  
22 But we were really fairly worried about [REDACTED] the  
23 time.

24 So we objected to providing the intelligence  
25 and John McMahon passed along those objections, including

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1 to the Director, who was out of the country at the time  
2 or away, as I recall. And the bottom line is that our  
3 objections to providing intelligence were overruled. We  
4 were asked to do it anyway.

5 And so what I did was try to have the analysts  
6 pick a militarily relatively unimportant [REDACTED]  
7 [REDACTED]

8 [REDACTED] and, frankly, do as little as we  
9 could get away with [REDACTED]  
10 [REDACTED]

11 So that meeting, that request was made on the  
12 24th.

13 GENERAL SCOWCROFT: Were you overruled by the  
14 Director, by Poindexter, or anyone?

15 MR. GATES: My understanding, in retrospect --  
16 I got my instructions from McMahon. My understanding, as  
17 we look back on it, was that McMahon went to Poindexter  
18 and was overruled. He then sent a cable to the Director,  
19 wherever he was, informing him of everybody's objections  
20 to providing the intelligence and the fact that we had  
21 been -- that our objections had been overruled and that  
22 we were going ahead and following our instructions.

23 GENERAL SCOWCROFT: The New York Times this  
24 morning says the intelligence provided was erroneous.

25 MR. GATES: That is not really true.

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GENERAL SCOWCROFT: Insignificant but accurate, then?

MR. GATES: It was accurate, and what we ended up providing at any rate would have been more than we wanted.

What we did, we were asked to prepare [REDACTED], and they would hand over a segment. The notion was that they would hand over a different segment at each meeting, depending on whether everything was going according to plan. So we tried to get a part [REDACTED] that was really kind of [REDACTED], and we provided things like [REDACTED]. So there was intelligence in there and it was relatively accurate. I mean, it was accurate.

But we tried to keep it at as broad a level or as general a level as we could without getting down into specific [REDACTED] and that sort of thing. The New York Times story this morning is basically wrong.

In any event, on the 25th of January, then, there was a meeting with McMahon, Colonel North, and I don't know who else, but presumably those who were involved in preparing the materials -- Bob Layton of the Near East office and probably somebody from the Near East office of the Directorate of Operations. It's on the

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1 calendar and the only thing I can assume is that it was  
2 to go over the materials that we had been asked to  
3 prepare, and that's where we got into a little jockeying,  
4 as I recall, about how much detail should be on there and  
5 so on.

6 And it was on the 26th that McMahon sent his  
7 cable to the Director in which he described our  
8 opposition and the quote from it is "in spite of our  
9 counsel to the contrary, we are proceeding to follow  
10 orders as authorized in the Finding." This was on the  
11 provision of intelligence.

12 The second segment of the intelligence was to  
13 be -- well, before I go to that, my first clear picture  
14 of what the full scope of the arms deal to the Iranians  
15 looked like, I think came in late January or very early  
16 in February, when we were given -- and I think that the  
17 DCO, Clair George was given it, but I saw it, in any  
18 event -- a scenario paper that detailed the sort of  
19 different dates and the different things that would  
20 happen at different dates as part of this package.

21 That would culminate in a meeting with Bud  
22 McFarlane and senior Iranian officials in Tehran to  
23 discuss the broader strategic relationship of the United  
24 States and Iran. The only thing that I specifically  
25 remember out of that scenario to a degree, to give you a

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1 little flavor for it, was that it said that on the 11th  
2 of February the Ayatollah would step down. But it  
3 contained a lot of detail about who would do what and  
4 when.

5 I might say, just kind of offhandedly, that my  
6 recollection of it is that the scenario pointed in the  
7 direction of the primary objective of the exercise being  
8 the establishment of the strategic relationship and the  
9 notion that -- it was indicated, for example, that we  
10 would provide a briefing on the Soviet threat to Iran as  
11 part of the McFarlane trip to Tehran -- and we began to  
12 think about how we would put that package together.

13 The scenario at the same time laid out all of  
14 the intermediate stages involving the return of the  
15 hostages. And I must say it seemed to me, as I think  
16 about it a year later, that the general flavor of this  
17 scenario was that the hostages and the arms and so forth  
18 were part of the process that led to the strategic  
19 initiative. It did not appear in the scenario, as I  
20 recall it, as having it being an end in itself. The  
21 combination was regarded as the strategic dialogue in  
22 Tehran, with Bud's trip.

23 The next tranche of intelligence that was  
24 requested, the next segment of the border, if you will,  
25 was provided on the 19th of February, and it was the same

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1 kind of material directly to the south of the first  
2 segment that we had provided, and we can get you that  
3 material if you want it.

4 It was at this time that the second SNIE,  
5 Special National Estimate, came out on the prospect of  
6 instability in Iran, and for all practical purposes that  
7 estimate was rather less pessimistic than the one done  
8 the preceding May. It basically said that a lot of the  
9 opportunities that we thought the Soviets had had not  
10 come to fruition, that for reasons on both sides they  
11 hadn't gone as far as might have been possible. And it  
12 also acknowledged that the Iranians had been more clever  
13 and more resilient in terms of dealing with their  
14 internal problems.

15 So the prospect of internal instability was not  
16 as great as we had anticipated the preceding February or  
17 the preceding May. So the basic thrust of that second  
18 Estimate, eight or nine months later, was that the  
19 situation was rather less pressing than we had originally  
20 thought.

21 That was my last connection with the project  
22 until before I became DDCI, but there were further  
23 deliveries of intelligence to the NSC for the Iranians.  
24 One was on 13 May, and that was the materials on the  
25 Soviet forces. My understanding is that that material

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1 was not used when McFarlane was in Tehran. It was  
2 presented later this fall at a meeting. And then the  
3 final materials prepared were prepared or provided on the  
4 19th of September.

5 That brings me to October 1. The NIO for  
6 counterterrorism, Charlie Allen, came to see me on the  
7 first. He described how he had been looking at all these  
8 [ ] all these materials, and how [ ]  
9 [ ] not only about overcharging and  
10 cheating and so forth, but it was clear that there was a  
11 lot of unhappiness on the part of people, the  
12 intermediaries and others, that he was reading about.

13 The primary purpose of his coming to me was to  
14 lay out his concerns about the operational security of  
15 the whole undertaking. He said that they had at that  
16 time changed channels, had moved away from Ghorbanifar  
17 into this nephew [ ] and the people who had  
18 been in the first channel that Ghorbanifar had gotten the  
19 money from and so on were the people that were unhappy,  
20 and that was where all of this threat to operational  
21 security existed as far as Allen could see.

22 After he went through all that he also said  
23 that he personally speculated that there might have been,  
24 there might be, some diversion of money, possibly to the  
25 contras. The analysis or the way he arrived at that

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1 speculation was simply because of all this talk about  
2 overcharges and cheating and the fact that he knew or  
3 suspected that some of the people involved in the second  
4 channel with the Iranians were also, some of the  
5 Americans were also people who were involved in the  
6 private funding effort for the contras -- General Secord  
7 and perhaps some others.

8 But he made very clear that he didn't have any  
9 indication that CIA was involved, that NSC was involved,  
10 that anybody from the U.S. was involved. It just looked  
11 like there was something -- or nobody from the U.S.  
12 Government, that is -- it just looked like there were  
13 some things going on that didn't add up, and he was  
14 suspicious. And he admitted he didn't have any evidence.

15 In any event, it bothered me enough that I told  
16 him to make an appointment with the Director and we'd go  
17 in and fill in the Director. We did that on the 7th of  
18 October.

19 Coincidentally, on the same day or the same day  
20 was when Roy Furmark first called the Director and said  
21 that he had been a representative of Khashoggi and had  
22 been involved in the Canadian investors putting together  
23 the money for Ghorbanifar, the upfront money to use for  
24 the Iranians, and that these guys hadn't been paid back  
25 and that they were unhappy and so on. I learned all of

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1 this after the fact, but just to make the story coherent  
2 I am telling you.

3 The Director indicates in his records, and  
4 you'll see in both the speech and in the factfinding  
5 investigation, that he first called Poindexter about the  
6 problem of the diversion, about the problem of the  
7 operational security, on that day, on the 7th of  
8 October. Furmark did not say anything at all to the  
9 Director about diversions. He did not talk about the  
10 possibility of diversions of money until the 16th or the  
11 22nd.

12 In any event, at the meeting on the 7th where  
13 Charlie Allen and I met with the Director. He directed  
14 Allen to put all of his concerns down on paper, and Allen  
15 shared his speculation with the Director about the  
16 possibility of some of the money being diverted to the  
17 contras. The Director told him to put all of that down  
18 on paper.

19 On the 9th of October Colonel North came out to  
20 brief the Director on the talks that had just concluded  
21 in Frankfurt with the second channel, the nephew

22 That meeting took place a day or two after  
23 the private funding, the privately-funded airplane was  
24 shot down and Eugene Hasenfus was captured. So we first  
25 talked about Iran and North briefed on the conversations

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1 that had taken place.

2 The Director then laid out his concerns about  
3 the operational security of the whole thing and the  
4 unhappiness of the investors and so on. And then we  
5 started talking about Central America. And since we had  
6 North there I took that opportunity -- oh, by the way, in  
7 the discussion of Iran it was at that point that I  
8 insisted that the Agency get a copy of the Finding that  
9 had been signed on January 17. We still did not have a  
10 copy of that Finding, as of October 9.

11 GENERAL SCOWCROFT: But the Director had seen  
12 it?

13 MR. GATES: He had seen it, and several other  
14 Agency people had seen it. But we had no copy. I just  
15 told North up front. I said, I am very uncomfortable  
16 with having a single piece of paper that authorizes our  
17 activity reside in one person's safe and not having a  
18 copy anyplace else. If it should ever inadvertently be  
19 destroyed, whatever, there could be real problems.

20 We got our copy of the Finding a week or two  
21 later.

22 MR. BRUH: Mr. Gates, may I ask you one  
23 question? You said on December 5 that you all learned  
24 that a Finding had been signed, or so you were told, that  
25 a Finding had been signed.

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1 MR. GATES: Right. The DO told McMahon that.

2 MR. BRUH: Right. When you found out that in  
3 fact the Finding had not been signed, was there any  
4 reaction to that? Was there any action taken because of  
5 that? Were there any conversations about that?

6 MR. GATES: Well, I wasn't involved in that --  
7 and we're going back now almost a year to December '85.  
8 I wasn't involved. But retrospectively I think it is  
9 fair to say we still don't know whether the December 5  
10 Finding was ever signed.

11 It became kind of irrelevant because during the  
12 intervening period between December 5 and when the  
13 General Counsel saw a signed Finding on January 6, we  
14 weren't asked to do anything. So it wasn't necessary. I  
15 mean, it was, if you will, a pause in the whole thing, as  
16 far as we were concerned, and since nobody was asked to  
17 do anything there was no need to formally ascertain that  
18 there was a Finding.

19 Frankly, I don't know, as you will see, and  
20 here is the speech, Senator, that you all can have  
21 (indicating) --

22 CHAIRMAN TOWER: Thank you.

23 MR. GATES: But one of the things that I say in  
24 here in self-criticism is that the Agency should never  
25 have allowed itself to be put in the position of being

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1 told there was a signed Finding and not having followed  
2 up and seen that there was a signed Finding on December 5  
3 or whatever that period was.

4 The fact is that nobody other than the General  
5 Counsel ever saw the January 6 Finding. Most of the  
6 people in the Agency didn't even know that there was a  
7 Finding of January 6 until about three weeks ago. So it  
8 seems to me that our own people were lax in not following  
9 up and insisting on seeing a signed copy of the Finding  
10 we were told, that McMahon was told on December 5 had in  
11 fact been signed, because we still don't know that for a  
12 fact.

13 In any event, this conversation with North on  
14 the 9th then turned to Central America. We were talking  
15 about the contras and the Director and I were going up to  
16 see the Chairmen and Vice Chairmen of the two oversight  
17 committees that afternoon, I believe, to talk about this  
18 and to assure them that the Agency was not involved in  
19 any way in the flight that Hasenfus was on.

20 Because of that I took advantage of the  
21 opportunity to ask North directly if since he seemed to  
22 know about the private funding effort, I asked him if the  
23 Agency in any way, shape or form, if any of our assets  
24 directly or indirectly, proprietary or whatever, had any  
25 connection with the private funding at all.

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1 North responded that the Agency was completely  
2 clean, that they had kept them very separate. It was at  
3 that point and in the context of the discussion of the  
4 downing of the plane and the Agency connection with,  
5 whether there was an Agency connection, that North made  
6 some comment, a cryptic comment about Swiss accounts and  
7 the contras. It was at the very end of the  
8 conversation. We were kind of all getting up and getting  
9 ready to go.

10 I assumed that it was not that it was  
11 associated strictly with the private funding effort that,  
12 for example, had funded the plane. It never occurred to  
13 me that it had any connection, as I look back at it in  
14 retrospect, that it had some connection with Iran or it  
15 didn't seem to.

16 GENERAL SCOWCROFT: Do you think the question  
17 was broad enough to North that his answer included the  
18 diversion?

19 MR. GATES: Well, I really don't know. I never  
20 pursued it with North. And when I went back into the  
21 Director's office right after North left, I asked him. I  
22 said, could you make heads or tails out of what he was  
23 talking about with Swiss accounts and stuff?

24 Casey had not picked up on it at all, in my  
25 view. He didn't remember what North had said, and this

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1 was like ten minutes after we had talked. He just hadn't  
2 picked up on it. And, as I say, my memory is that we  
3 were getting up to go and so on, and his mind may have  
4 already turned to other things. But he didn't even  
5 recall it.

6 In any event, right after lunch and after that  
7 conversation, because of the Hasenfus affair and so on I  
8 did a little memorandum for the record of North's  
9 assurances that CIA was completely clean in the private  
10 funding, and I didn't even mention the cryptic comment  
11 about the Swiss accounts and contras, because I just  
12 dismissed it. But in trying to prepare for these  
13 hearings and so on I recalled this vague reference and  
14 that was about it.

15 The next step was on the 14th of October.  
16 Allen gave me his memorandum that the Director had asked  
17 him to prepare. It laid out all of his concerns and  
18 primarily again on the operational security. We tried to  
19 get an appointment with Poindexter that afternoon and  
20 couldn't, so we made an appointment for the afternoon of  
21 the 15th.

22 That afternoon we met in Casey's Old EOB office  
23 with Poindexter. We sat with him and had him read  
24 Allen's memorandum right in front of us. Casey at that  
25 point told him that he thought, as I recall, that he had

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1 a serious problem on the operational security and that  
2 just based on what Allen had written that he thought that  
3 poindexter ought to have the White House counsel look at  
4 the whole thing and make sure that everything was all  
5 above-board.

6 That same day I called in our General Counsel  
7 and, based on Allen's memo and the Hasenfus affair and so  
8 on, I asked our General Counsel to look across the board  
9 at our involvement. I briefed him on what I knew about  
10 the Iranian thing at that point, and about the Finding,  
11 and so on. And I asked him to look and satisfy himself  
12 that we were in full compliance with the law on those  
13 activities.

14 GENERAL SCOWCROFT: Did poindexter make any  
15 comment at this meeting?

16 MR. GATES: Casey recalls in his testimony that  
17 John at that point made some comment to the effect that I  
18 want to hold off a little bit. I think we still have the  
19 opportunity to get a couple of hostages out. Among the  
20 recommendations that had been made in that meeting was  
21 that they ought to put this whole story out, that the  
22 operational security was so at risk at that point that  
23 the President ought to just lay it all out.

24 CHAIRMAN TOWER: This date was October what?

25 MR. GATES: October 15. I remember either

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1 Casey or I saying that if you all put this thing out in  
2 totality and explain the rationale and so forth, it will  
3 probably look reasonably sensible. If you let it come  
4 out in dribs and drabs, it will be a catastrophe.

5 I then left for the Middle East on October 17,  
6 so I wasn't around when they got the information from  
7 Furmark -- additional speculation about the possible  
8 diversion of funds. Now it's important to consider that  
9 both the way Allen had written it up in his memorandum  
10 and the way Furmark presented it, in both cases the  
11 possibility of a diversion was referred to in the  
12 speculation as something Ghorbanifar believed might have  
13 happened.

14 In the Allen memorandum he says Ghorbanifar, if  
15 he doesn't get his money, is threatening to go public,  
16 and if he doesn't get satisfaction here are the kinds of  
17 allegations he might make. One of them is about the  
18 whole Iranian arms affair; the other about the  
19 President's involvement. And out of the four or five  
20 things, the very last was the possibility of the  
21 diversion of some of the funds to other U.S. projects is  
22 the way that Allen put it in his memorandum.

23 Furmark, the way he couched it, he said to  
24 Allen, when Allen talked to him in New York on either the  
25 16th or the 22nd -- I don't remember which -- said that

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1 Ghorbanifar had told him that he, Ghorbanifar, believed  
2 that there might have been some diversions.

3 Now again all we had was this speculation, all  
4 of it traceable ultimately to Ghorbanifar, about this  
5 possibility.

6 MR. MC FADDEN: On that point, when he said he  
7 believed that Ghorbanifar believed that there might have  
8 been diversions, did he mention the contras or was it  
9 just diversions?

10 MR. GATES: Yes. He said something like that  
11 the bulk of the original \$15 million or something like  
12 that had "been earmarked for Central America".

13 CHAIRMAN TOWER: That was the only U.S. program  
14 specifically referred to? Any reference to the Africans?

15 MR. GATES: No, sir.

16 The next thing that I recall was a meeting that  
17 we had with Poindexter on the 6th of November in which  
18 Casey again recommended to him that he have the White  
19 House counsel look at the thing. As I recollect it, it  
20 was at that meeting that Poindexter told the Director  
21 that he didn't trust the White House counsel to keep the  
22 thing a secret and he wanted to keep it going for a  
23 little while longer because he thought they had a good  
24 chance to get two more hostages out.

25 CHAIRMAN TOWER: This was on November 6?

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1 MR. GATES: November 6.

2 CHAIRMAN TOWER: This is two days after the  
3 story broke in the Lebanese paper?

4 MR. GATES: Yes, sir. Now that really is the  
5 last installment that we have in which I had any  
6 association prior to the Attorney General's announcement.

7 CHAIRMAN TOWER: You say you took a trip to the  
8 Middle East on the 17th?

9 MR. GATES: On the 17th, and I got back on the  
10 30th of October.

11 CHAIRMAN TOWER: You didn't do anything that  
12 was relevant?

13 MR. GATES: I didn't know anything about, quite  
14 honestly, the meetings with Furmark until we began  
15 preparing the Director's testimony.

16 CHAIRMAN TOWER: And you didn't do anything on  
17 your Middle East trip relevant to this matter?

18 MR. GATES: No.

19 GENERAL SCOWCROFT: Allen didn't get any  
20 intercepts during this period which indicated discussions  
21 about diversion?

22 MR. GATES: No. In fact, I think it is  
23 important to note that as far as the Director and I were  
24 concerned, and really Allen and others in the Agency,  
25 after Furmark's comments we never got anything else about

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1 any diversions until the Attorney General's statement,  
2 and we never did get any indication in any of the  
3 discussions or the speculation from either Furmark or  
4 Allen that any U.S. Government institution was involved,  
5 or that any laws were being broken, for that matter.

6 So we felt that we were actually kind of  
7 leaning forward in terms of propriety by continuing to  
8 bring this to Poindexter's attention -- having our own  
9 General Counsel look over the whole thing, give Allen's  
10 memo to Poindexter, and urging the NSC to have the White  
11 House counsel look at the whole thing to make sure it was  
12 all above-board.

13 GENERAL SCOWCROFT: Had anybody at this point  
14 put together any of the information? I mean, you knew  
15 how much money the Agency had been paid to turn back over  
16 to DOD.

17 MR. GATES: Yes.

18 GENERAL SCOWCROFT: There were a lot of stories  
19 about how much had been raised. Had Allen or anybody  
20 else sat down and sort of looked at what the  
21 possibilities might be?

22 MR. GATES: Maybe the easiest way to describe  
23 how Allen looked at it is just to read you a paragraph  
24 out of this speech relating to that. "Throughout the  
25 late spring and summer of '86 our officers familiar with

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1 the operation had seen fragmentary references to  
2 overcharging and had picked up other reflections of  
3 dissatisfaction with the financial arrangements on the  
4 part of both the Iranians and the intermediaries. This  
5 was very difficult for our people to interpret, since it  
6 was never clear if these references related to the NSC  
7 deal or to other deals the intermediaries were involved  
8 in. For that matter, such allusions did not seem all  
9 that unusual, given the nature of haggling that goes on  
10 in the black arms market and in the context of the tens  
11 of billions of dollars of arms being sold to Iran by  
12 others."

13 You see, Ghorbanifar had a bunch of things  
14 going, and some of these other guys were involved in a  
15 lot of other things as well. So it was very difficult  
16 for us and, frankly, I think the reason that Charlie  
17 never came to anybody before October was that it was not  
18 until he knew that they had moved into another channel  
19 and that Secord and some others were involved and he  
20 began to see a possibility of a tie-in there that these  
21 things began to seem to him to be more than just this  
22 haggling relating to other deals.

23 That's why I think that happened. That  
24 happened mainly in August-September.

25 GENERAL SCOWCROFT: Apparently George Cave was

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1 told at the time of McFarlane's May visit, George Cave  
2 was told by Ghorbanifar to tell the Iranians that the \$24  
3 million was about right.

4 MR. GATES: You will have to talk to George or  
5 somebody else about that. My impression is that what he  
6 was told was a little different than that, and this  
7 allegation in the press that he was told about the  
8 contras earlier in the spring was Ghorbanifar saying that  
9 stuff was going to the Philippines and Afghanistan and  
10 Central America and a whole bunch of other places. And  
11 it came across to Cave in such a way that he didn't think  
12 very much of it and he never reported it to anybody  
13 because it sounded like Ghorbanifar just shooting off his  
14 mouth.

15 But, anyway, that basically is a recap of the  
16 role of the things that I was involved in.

17 CHAIRMAN TOWER: What is your opinion of why  
18 the operational responsibility devolved on the NSC rather  
19 than on the CIA?

20 MR. GATES: My guess is -- and it's only a  
21 guess -- is because the original contacts -- my  
22 impression is that the original contacts with the  
23 Israelis were with the NSC and I would credit the theory  
24 that there was concern at the NSC that if the Agency were  
25 involved that the Congress would have to be informed.

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1 In fact, when McFarlane first told the DCI  
2 about this, as I recall from some of the testimony that's  
3 been given, Bud said that the Israelis didn't even want  
4 CIA told about it, it was so secret and so sensitive, but  
5 that he, Bud, felt that it was important that the DCI  
6 know about it. This was back in September of '85 or  
7 maybe a little earlier.

8 So I think it was out of a concern to maintain  
9 the secrecy of the thing and basically that the contacts  
10 were originally made in the NSC channel.

11 CHAIRMAN TOWER: But the CIA had to be involved  
12 anyway, even though they weren't responsible for the  
13 operation.

14 MR. GATES: Well, I think when the thing got  
15 started they thought they could do it without the Agency,  
16 you see, because operationally we didn't get involved  
17 until November, until toward the end of November. So my  
18 impression is that originally my estimate is that they  
19 felt they could do the whole thing by themselves.

20 CHAIRMAN TOWER: Then would it have been  
21 prudent for the CIA to take over the whole thing at that  
22 point? You know, you can't be half pregnant as far as  
23 the legal aspects or legal constraints of the CIA are  
24 concerned. They apply as much to support of an operation  
25 as actual operational responsibility, don't they?

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1 MR. GATES: Yes.

2 My problem with trying to answer that question  
3 is the parts of the operation that I still don't know  
4 about in terms of various funding mechanisms. But if you  
5 set aside the very strange funding arrangements and the  
6 possibility that the NSC had some role in arranging some  
7 of the diversions and so on, if you set all that aside  
8 for a moment and just look at it in terms of the  
9 operation of the Iranians and the arms and the hostages  
10 and the strategic dialogue, in my view the Agency, after  
11 January, did play an appropriate operational role and in  
12 terms of past experience of historical use of the NSC, in  
13 terms of secret negotiations with another country, in  
14 terms of secret dealings, in terms of cutting deals and  
15 that sort of thing, the role of the NSC was not unlike  
16 that that had been played in other situations, with CIA  
17 carrying on the --

18 SENATOR MUSKIE: Such as?

19 MR. GATES: Well, a number of secret diplomatic  
20 initiatives carried out particularly during the Nixon  
21 Administration, where Kissinger was doing -- and Brent  
22 knows more about the details about this than I do -- but  
23 just by way of comparison the NSC was carrying out secret  
24 negotiations with both the Soviet Union, China, and North  
25 Vietnam at various points, and the CIA played a

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1 supporting operational role in helping to arrange  
2 transportation, communications, logistical aspects of it,  
3 getting clearances in terms of overflights and things  
4 like that.

5 CHAIRMAN TOWER: That's a negotiating process.  
6 Isn't that a little bit different from a covert action  
7 activity? It may be covert diplomacy, but not covert  
8 action in the same sense that this thing was.

9 MR. GATES: Well, if you look at it in terms of  
10 the sale of the arms, it seems to me that what is unusual  
11 is the absence of the role of the Secretary of State, as  
12 well as the Congress. But even if you accept it as a  
13 secret negotiation, it's the sale and provision of the  
14 arms that makes it a little different than the preceding  
15 experiences. But again all of the aspects of the sale of  
16 U.S. arms were carried out by CIA.

17 CHAIRMAN TOWER: All right. Now let me just  
18 take it back a little further. If the CIA had been  
19 brought into this at the outset would you have done  
20 things the same way the NSC staff did, particularly the  
21 way North did? Would you utilize the same people or do  
22 you have a little cleaner, more professional way of doing  
23 things? It seems to me that the NSC operation was not  
24 very professional.

25 MR. GATES: Well, there are a couple of

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1 things. I am fairly confident we would not have used the  
2 same people that were used by the NSC. Ghorbanifar had a  
3 very bad reputation at the Agency.

4 CHAIRMAN TOWER: He was on your burn list.

5 MR. GATES: The Agency, I am fairly certain,  
6 would not have involved General Secord at all.

7 GENERAL SCOWCROFT: Did he have a reputation  
8 with you all?

9 MR. GATES: Yes, I think that's fair. There  
10 were concerns growing out -- you know, unproven  
11 allegations -- growing out of some of the activities of  
12 Edwin Wilson that there was some kind of connection with  
13 Secord there that gave him kind of a bad odor at the  
14 Agency -- again nothing proven, but it was something I  
15 think we'd have kept hands away from.

16 So there were some people involved. I mean,  
17 the guys that are deeply involved in the arms thing.

18 CHAIRMAN TOWER: What about Khashoggi, for  
19 example?

20 MR. GATES: Well, Khashoggi is a  
21 wheeler-dealer, but he does not have the same kind of  
22 shady reputation at least that people like Ghorbanifar  
23 and some of the others do. I don't know whether we'd  
24 have dealt with Khashoggi or not. We'd have just done it  
25 differently. We wouldn't have gone out and tried to

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1 raise money from private investors to pay the bill for  
2 the Iranians, for one thing. We would have somehow found  
3 money [ ] to do that  
4 ourselves rather than go out and try to raise this money  
5 privately.

6 CHAIRMAN TOWER: There might be a more direct  
7 means of paying off the Army, for example, and paying off  
8 DOD and collecting from the Iranians?

9 MR. GATES: Yes. I don't know exactly how we  
10 would have done it, but we wouldn't have gone to private  
11 investors, surely.

12 GENERAL SCOWCROFT: Bob, it seems to me that  
13 what you have just described is one of the crucial  
14 differences in this and most other ways when you have  
15 played a supporting role because here your technical  
16 expertise is extremely important. You know, if you are  
17 on a diplomatic negotiation you are getting clearances  
18 and aircraft and so on, but it is not exactly the same.

19 MR. GATES: That is fair.

20 GENERAL SCOWCROFT: As this kind of stuff that  
21 really requires great skill and background to do it right  
22 and to minimize the chance of things going awry.

23 MR. GATES: Well, one of the points that I make  
24 at the end of the speech that may be worth mentioning,  
25 one of the paragraphs of self-criticism is this: "In

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1 retrospect I believe we were too passive about an  
2 activity in which we were operationally involved. We  
3 tolerated being inadequately informed about parts of the  
4 activity. We accepted verbal assurances that a Finding  
5 existed in early December that we never saw, and we did  
6 not insist on having copies of the 6 and 17 January  
7 Findings. We accepted externally-imposed  
8 compartmentation that shut out all our analytical experts  
9 and senior managers with relevant responsibilities. In  
10 short, we allowed ourselves to be involved in an  
11 operation on the basis of someone else's ground rules,  
12 with all of the attendant difficulties and dangers."

13 That is what would have been different if the  
14 President had come to us and said I have this diplomatic  
15 initiative with the Iranians and want to give them some  
16 arms. We in DOD would have figured out a way to do it  
17 without involving private people. If we had had dealings  
18 with arms dealers, we would have dealt with arms dealers  
19 that we dealt with in the past and that we know would  
20 have some sort of track record.

21 The other thing that I think is what was behind  
22 a couple of those comments and where I think the  
23 professionalism of the thing was lacking is how we ended  
24 up. By way of background, I think one of the things that  
25 we have done in the last several years that has been a

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1 significant step forward has been in the approval process  
2 for covert actions. We have brought in the analytical  
3 side of the Agency to evaluate and criticize proposals  
4 for covert action, and those criticisms have always been  
5 forwarded to the Director and he has had the benefit of  
6 their experience and their insights; and those have often  
7 been communicated as well to the policy community.

8 There was none of that here.

9 CHAIRMAN TOWER: Don't you think perhaps  
10 communicated as well, or should be communicated, to the  
11 President if he is considering signing a Finding, that he  
12 should be fully informed about all of the implications  
13 and consequences?

14 MR. GATES: One of the virtues of the process,  
15 the routine process for covert action, which I think is a  
16 good process in this Administration and has worked, is  
17 that first of all part of the paperwork that we prepare  
18 in forwarding a Finding to the NSC that they have  
19 requested or that State and somebody else has requested  
20 there is always a section on risks, and that's generally  
21 where the analytical people have their say. Here are  
22 what the risks are on this thing, and here are the  
23 vulnerabilities of it.

24 That wasn't done at all in this case.

25 GENERAL SCOWCROFT: Why wouldn't that accompany

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1 an NSDD process, such as took place? You had a SNIE and  
2 a draft NSDD in the summer of '85. Why wouldn't that  
3 same analytical and risk analysis have accompanied that?  
4 There was a recommendation, not a Finding, but it is the  
5 same sort of thing -- a recommendation for U.S. policy.

6 MR. GATES: To the best of my knowledge those  
7 opportunities did present themselves, but not in the  
8 context of this specific operation. In other words,  
9 there was a lot of finished intelligence on what was  
10 going on in Iran during this period, a stack of it.

11 Most of it portrayed a situation inside Iran  
12 that was considerably at odds with one of the principal  
13 preconceptions relating to the operation, and that is the  
14 existence of moderates. You will still not find anybody,  
15 I think, in the intelligence community on the analytical  
16 side who will accept the fact that there is something  
17 called a moderate in Tehran these days.

18 CHAIRMAN TOWER: Would they accept the fact  
19 that there are some who might be more pragmatic than  
20 others in their disposition toward the West?

21 MR. GATES: Yes. But it comes across very  
22 clearly as people who are pragmatists purely out of self  
23 interest. They see a value of an opening to the West  
24 only for economic, military or personal advancement  
25 reasons. So it's a much more skeptical thing.

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1 GENERAL SCOWCROFT: Do you think you are  
2 speaking for the community?

3 MR. GATES: Yes.

4 GENERAL SCOWCROFT: Are you suggesting this was  
5 a generation of Mossad or Israeli intelligence or even  
6 Ghorbanifar to give some kind of structural plausibility  
7 to something they wanted to pursue?

8 MR. GATES: I think some of the Iranians and  
9 the Israelis fed the notion that there were moderates in  
10 Tehran.

11 CHAIRMAN TOWER: Do you think we accepted too  
12 much of what Mossad provided us on face value without  
13 looking behind it?

14 MR. GATES: I am not sure that this was a Mossad  
15 operation. Nir is not well regarded by Mossad. The  
16 scuttlebutt I get, for example, is that Mossad is just  
17 happy as a clam that he is up to his eyebrows in trouble,  
18 so I am not sure that it is a Mossad operation. But it's  
19 clear that Nir and some of those who were working with  
20 him -- and I don't know who else that might be -- were  
21 feeding this notion. At least, that's as far as I can  
22 see it.

23 GENERAL SCOWCROFT: But the whole notion here  
24 of the opportunities and of the people involved depends  
25 heavily on intelligence one way or another. It's not

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1 clear whether the NSC people ever tried to check with you  
2 early on to verify the stories they were getting from the  
3 Israelis, whether it is Mossad or whatever. Are you  
4 aware of anything?

5 MR. GATES: I am not aware of any special  
6 tasking. There may have been, you know, the informal  
7 kinds of things where Allen, in the context of his role  
8 as the NIO for Counterterrorism, would ask informally of  
9 the analysts, you know, are there any moderates in the  
10 Iranian government or this, that or the other thing. But  
11 again that was already -- they first made contact with  
12 Allen on this well after it was under way in the first  
13 part of September.

14 GENERAL SCOWCROFT: You see, there is some  
15 imputation of an Agency attitude toward Ghorbanifar so  
16 prejudicial as not to be taken seriously, that you all  
17 had it in for Ghorbanifar and therefore could be ignored.

18 CHAIRMAN TOWER: With your permission, Brent,  
19 may I take your question a step further? Could you have  
20 loaded the questions on the polygraph test to get a  
21 predictable result from Ghorbanifar?

22 MR. GATES: Do you mean to get a negative  
23 result?

24 CHAIRMAN TOWER: Yes, or could you have asked  
25 him questions that you knew that if he answered them

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1 truthfully might compromise him so that he would have to  
2 have some justification in not coming clean with you?

3 MR. GATES: Tom Twetten or [ ] might know  
4 the answer. You can talk to them or we can find the  
5 answer. But my impression all along has been that our  
6 view of Ghorbanifar was based on knowing about him prior  
7 to any of this, that it preceded this operation, that  
8 we'd run across him before. That's been my impression  
9 all along and that it was during those previous contacts  
10 that he had been polygraphed, not in connection with this  
11 operation.

12 CHAIRMAN TOWER: What I am saying in effect is  
13 could Ghorbanifar have lied to you in order not to  
14 compromise his own sources or his friends or whatever?

15 MR. GATES: I suppose he could have. I just  
16 don't have any idea. I don't even know when he was  
17 polygraphed.

18 GENERAL SCOWCROFT: Apparently the last time  
19 was around January 11, '86.

20 CHAIRMAN TOWER: The 11th or 12th.

21 MR. GATES: 1986?

22 GENERAL SCOWCROFT: Yes.

23 SENATOR MUSKIE: I would like to ask some  
24 questions out of the chronology that is contained in the  
25 Inspector General's report, if I might. Frankly, I find

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1 it very difficult to understand how the initial contacts  
2 with the Israelis and the Iranians and especially the  
3 meeting of Kimche with Robert McFarlane in July of '85  
4 got converted into a situation which excluded CIA from  
5 operational involvement, excluded the State Department  
6 from any aspects of its responsibility, and resulted in a  
7 decision by somebody which up to now has not been  
8 pinpointed to my satisfaction, a decision which  
9 apparently was read as authority by many people to  
10 proceed with events that have since transpired.

11 For example, I mean the public knows about what  
12 I am about to quote from this report, and we know about  
13 it, and I assume you know about it, not because of your  
14 personal involvement necessarily at the time, because it  
15 is your business to review all of this as you have. But  
16 Kimche's meeting with McFarlane took place in July of  
17 '85. In that same month Kimche conveyed the U.S.  
18 position to the Iranians and reported to McFarlane that  
19 the Iranians recognized that both sides need tangible  
20 evidence of the bona fides of the other side.

21 And out of that necessity began the discussion,  
22 apparently, of arms and hostages. Now, according to this  
23 chronology that I am reading now, "in late July or early  
24 August 1985 McFarlane discusses Kimche's proposals with  
25 the President at a meeting including the Secretaries of

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1 State and Defense, along with the DCI. The President  
2 says he will not authorize any transfer of military  
3 equipment."

4 Now that quotation doesn't tell us whether or  
5 not what was discussed was the transfer of military  
6 equipment by the Israelis with possible replenishment by  
7 us or transfer of military equipment directly from us to  
8 the Israelis. Nor does that indicate whether or not the  
9 President gave any green light to a continuation of the  
10 contacts which McFarlane had with Kimche.

11 Do you know anything more than I have read from  
12 this Inspector General's report about what transpired at  
13 that time or about the nature of the discussion that took  
14 place with the President?

15 MR. GATES: No. In terms of that discussion,  
16 no. I think that that part of the chronology, because it  
17 predated anything upon which we have any records, was  
18 probably put together based on chronologies that North  
19 prepared in October or November, as well as what Allen  
20 and others have picked up along the way, and Cave, so, in  
21 other words, kind of reflecting what they had picked up  
22 secondhand.

23 SENATOR MUSKIE: Now the DCI was present at  
24 that meeting.

25 MR. GATES: But we don't have any record. He

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1 made no record of what was discussed.

2 SENATOR MUSKIE: And he never discussed it with  
3 you?

4 MR. GATES: He never discussed it with me. But  
5 my impression of what ensued following that meeting, I  
6 have always had the impression or in the last few weeks,  
7 as we have gone through this stuff, it's been my  
8 impression that the Israelis asked for approval to send  
9 the first batch of weapons at the end of August or early  
10 September, and that they were turned down and that they  
11 sent it anyway. And then the decision was made not to  
12 proceed against them.

13 By the time all of this was discovered, the  
14 decision was made not to proceed against them because of  
15 the possibility that we ourselves might want to use the  
16 provision of weapons to Iran to accomplish some purpose.  
17 So it has been my impression -- and I don't have any  
18 documentation; it's just been an impression -- that that  
19 first Israeli delivery took place against the wishes of  
20 the United States.

21 SENATOR MUSKIE: Well, now on the 22nd of  
22 August, which was a week or two later, apparently Kimche  
23 called McFarlane to state that an impasse of confidence  
24 existed and he wanted to know if it is U.S. policy to  
25 ship or to allow others to ship military equipment to

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1 Iran. McFarlane elevates the question to the President,  
2 the Secretaries of State and Defense, and the DCI. The  
3 President says that he cannot approve the transfer of any  
4 military equipment at that time. This position is  
5 conveyed to Kimche.

6 Now could I ask you this? Upon what did the  
7 Inspector General base his judgment that this language I  
8 have just quoted is an accurate description of what took  
9 place in that meeting between the President and the  
10 Secretaries of State and Defense and DCI?

11 MR. GATES: May I see that, please?

12 (Pause.)

13 SENATOR MUSKIE: It says the 22nd of October.

14 MR. GATES: I don't know. One of the earlier  
15 drafts that I saw indicated sources for each of these. I  
16 don't know where he got that.

17 SENATOR MUSKIE: I haven't read this report  
18 that thoroughly, but I assume it's possible to get from  
19 the Inspector General a description.

20 MR. GATES: Sure.

21 MR. DAWSON: What I am afraid may be happening  
22 is they are using Ollie's chron to build a part of this.

23 CHAIRMAN TOWER: You may note that some of this  
24 is North's chronology.

25 MR. GATES: That is what I have speculated.

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1 SENATOR MUSKIE: - Do you mean there are some  
2 reservations about the accuracy of this? Do they have  
3 any reservations?

4 MR. DAWSON: No, they don't.

5 SENATOR MUSKIE: Well, we have to rely  
6 somewhere at some point on somebody's recollection of  
7 what happened. I mean, frankly without going through  
8 this minutely at this point -- because I haven't had a  
9 chance to read it that thoroughly -- at some point in  
10 August a decision was made that somebody interpreted or  
11 somebodies interpreted in a way that resulted in the  
12 transfer by Israel to Iran of weapons, as a result of  
13 which a hostage was released.

14 Whatever that interpretation of authority was,  
15 it resulted eventually in the exclusion of the CIA from  
16 operational responsibilities. And what puzzles me is  
17 that if the situation is loose enough or if the structure  
18 is loose enough to permit that kind of slippage in  
19 established procedures -- established procedures in my  
20 mind being that CIA would take over operational  
21 responsibilities -- it would seem to me that for that  
22 established procedure to have slipped so that the NSC  
23 would result in taking over operational responsibilities  
24 must have required an explicit kind of authority or  
25 change of direction or change of authority by somebody in

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1 a position to speak for the President, presumably the  
2 President himself.

3 But the second point that troubles me is that  
4 if there wasn't any such direct confrontation with that  
5 point, I am puzzled that the DCI would have allowed that  
6 to slip and operational responsibility slip out of his  
7 hands in that kind of ambiguous, unidentified way. There  
8 is no documentation, apparently, unless the Inspector  
9 General has found some, no documentation of what actually  
10 took place at that meeting on the 22nd of October. There  
11 doesn't appear to have been a subsequent meeting of that  
12 same group to have come to grips with the operational  
13 responsibility.

14 So I have got to assume that it was in that  
15 meeting of August 22 where the initial responsibility,  
16 the initial authority, which resulted in the NSC taking  
17 over operational responsibility somehow came out of that  
18 meeting. And it's been very frustrating to try to  
19 identify exactly what it was.

20 We've had some talk about well, maybe there was  
21 an oral Finding. Well, an oral Finding is nothing more  
22 than an oral decision by the President, which might have  
23 been made orally in that meeting, but which in some ways  
24 should have been converted into something more formal, I  
25 would think, given the nature of the shifting of

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1 operational responsibility.

2 I mean, do you have an explanation for that?

3 MR. GATES: No, and we don't have any firsthand  
4 knowledge either. As commented, that is provided  
5 basically as background and taken from North's  
6 chronology. Again, I am not very familiar with what  
7 happened before November, but my impression again has  
8 been that the President's decision of the 22nd not to  
9 approve the shipment of Israeli weapons or the  
10 replacement of them or whatever in fact was abided by and  
11 that the Israelis shipped the weapons despite being told  
12 that the United States opposed it.

13 And therefore my impression is that whatever  
14 happened happened after that first Israeli flight, when  
15 the decision, according to what I understand to be the  
16 case, when the decision was made to go back to the  
17 Israelis or to not report the Israelis for a violation of  
18 the Arms Control Export Act. A decision was made at that  
19 point not to do that and that other things flowed from  
20 that. But it followed the flight which took place  
21 against U.S. wishes.

22 Now that's my understanding of it, but I don't  
23 really know.

24 SENATOR MUSKIE: Well, let's take the point at  
25 which you came into this, as I understand it around the

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1 5th of December. At that point John McMahon had decided,  
2 I gather, that whatever had taken place prior to that  
3 time -- and he apparently was as little involved  
4 personally as you were -- whatever happened before that a  
5 Presidential Finding was required and the Finding should  
6 be worded in such a way as to retroactively cover what  
7 had happened before.

8 MR. GATES: My understanding is that John had  
9 attended a meeting with McFarlane in mid-November in  
10 which McFarlane had laid out some of the aspects of this  
11 transaction with the Iranians. Therefore, when John  
12 learned that the flight had taken place on Monday, the  
13 25th, it was based on his knowledge from mid-November  
14 that he believed that a Finding was required.

15 Those who made the decision over that weekend  
16 did not know about that, did not know that the flight  
17 apparently was part of a larger program that preceded,  
18 that went back in time a couple of months or something,  
19 and that something was also anticipated stretching out  
20 into the future, that it was something other than just an  
21 isolated flight and an attempt to try to get the hostages.

22 So their judgment and the judgment of our  
23 lawyers is that based on what our guys who made the  
24 decision to let the plane go ahead and be chartered knew  
25 at the time that it was not a violation -- that a Finding

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1 necessarily was not necessarily needed. McMahon, knowing  
2 more about what it all was, knew that a Finding, because  
3 of the larger operation, was needed.

4 SENATOR MUSKIE: Well, if McMahon had known  
5 that there was a meeting and if you had known on December  
6 5 that a meeting was held on 22 August 1985, at which the  
7 Inspector General now finds that the President says he  
8 cannot approve the transfer of any military equipment at  
9 that time, if McMahon had known that on 5 December or if  
10 you had known that on 5 December, would you have approved  
11 the preparation of a Finding retroactively covering the  
12 transfers that the President had said he could not  
13 approve on August 22?

14 MR. GATES: The initiative to try to insert a  
15 retroactive coverage of the flight that had taken place  
16 on the 23rd and 24th apparently was the idea of our  
17 General Counsel, not McMahon.

18 SENATOR MUSKIE: I think he has said that.

19 MR. MC FADDEN: Yes.

20 SENATOR MUSKIE: Yes, I think he has said  
21 that. I think that is right.

22 MR. GATES: I didn't know you could do that  
23 myself, but I'm not a lawyer.

24 SENATOR MUSKIE: Well, I guess there is a point  
25 of view that the President can decide to do anything at

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any time, to approve whatever has taken place before or after. Constitutionally I am not so sure about that. I am not a constitutional expert.

But, in any case, the point I am making is simply at getting the facts and not for making judgments.

MR. GATES: Well, the answer to your question is --

SENATOR MUSKIE: If the President said he wouldn't do this in August and the people who were proposing it, a Finding, on 5 December did not know that, I can understand why they went ahead and did what they did.

MR. GATES: Well, I think (a) they didn't know it. But (b) it would also depend on whether the President had changed his policy or changed his mind between that 22 August meeting and the time that flight went in November. It is my impression that he had done that.

SENATOR MUSKIE: But there is no subsequent meeting involving the President that I have been able to find in this chronology at which he would have made that decision, at which he would have changed his mind.

GENERAL SCOWCROFT: But I am not sure a Finding would have been required for that August shipment unless it was approval to replace Israeli stocks; otherwise,

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1 it's just a violation of the Export Control Act. That is  
2 not an intelligence operation.

3 SENATOR MUSKIE: No, but McFarlane did raise  
4 the question, according to his statement, that the  
5 Israelis, before they transferred, wanted to know that  
6 they could replenish, and it was that question of  
7 replenishment that required the President to -- well,  
8 that I suppose was the reason why the President was asked  
9 to make a decision. At least that's McFarlane's version.

10 GENERAL SCOWCROFT: Yes, but that is at  
11 variance to this chronology.

12 SENATOR MUSKIE: It is.

13 GENERAL SCOWCROFT: There are two steps. One,  
14 can the Israelis ship? Two, will we replace? Now this  
15 chronology says no to the first one and therefore the  
16 second one doesn't arise.

17 SENATOR MUSKIE: But even without the  
18 replenishment question, Brent, it would seem to me that  
19 if the President were told that the Israelis planned to  
20 transfer U.S. equipment to the Iranians and the President  
21 sat mute in the face of that that would be a violation of  
22 law. I mean, he could not by his silence, as I  
23 understand it, allow that kind of transfer to go  
24 through. He would either have to object to it or approve  
25 it.

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1 MR. GATES: My impression is -- and again it's  
2 only an impression based on hearing secondarily about it  
3 -- is that the Israelis inquired. The President on the  
4 22nd of August said no. And that was conveyed to the  
5 Israelis. And the Israelis went ahead and shipped  
6 anyway. And it was only after the Administration learned  
7 that the Israelis had shipped the materials that there  
8 then did ensue a discussion about whether to report it  
9 under the Export Control Act or what to do.

10 SENATOR MUSKIE: A discussion at what level, do  
11 you think, Bob?

12 MR. GATES: Well, it must have involved the  
13 President, since you presumably have a clearcut  
14 presidential decision on the 22nd of August not to ship.  
15 Now what I was told was that when they learned that the  
16 Israelis had shipped these materials, which were  
17 apparently HAWK spare parts, unless I am confused I think  
18 that the NSC, that somebody down there, presumably Bud,  
19 undertook immediately to get the Israelis to get the HAWK  
20 spare parts back, and in effect those HAWK spare parts  
21 were ultimately returned, unless I got things confused.

22 GENERAL SCOWCROFT: You have. That is the  
23 November shipment.

24 SENATOR MUSKIE: The August shipment was the  
25 TOWs.

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1 CHAIRMAN TOWER: Because they were defective.

2 MR. GATES: Oh, August was TOWs?

3 SENATOR MUSKIE: Yes. That took place in late  
4 August, according to this.

5 MR. GATES: Then I have mistaken.

6 GENERAL SCOWCROFT: But you do raise an  
7 interesting point, and that is assuming this chronology  
8 is accurate -- let's just assume that -- something had to  
9 take place between the 22nd of August and the November  
10 shipment, which every apparently agrees we approved and  
11 nobody ever mentions any kind of Presidential involvement  
12 in between.

13 SENATOR MUSKIE: After August 22.

14 GENERAL SCOWCROFT: How do we get in between  
15 the President saying no, the Israelis can't even ship to  
16 embracing the operation and nobody suggests that there  
17 has been any kind of discussion, meeting or anything in  
18 this period of time?

19 SENATOR MUSKIE: And that is a big question.

20 MR. DAWSON: The only meeting that I can find  
21 is the meeting that McMahon has with McFarlane, and all  
22 that meeting does is --

23 SENATOR MUSKIE: What date is that, Rhett?

24 MR. DAWSON: The 14th of November, and that  
25 obviously can't be the meeting either.

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1 GENERAL SCOWCROFT:-- No.

2 SENATOR MUSKIE: So we've got a gap in there  
3 somewhere that is puzzling. You see, that TOW shipment  
4 took place in August, and Weir was released September 15,  
5 approximately a couple of weeks later.

6 I just noticed this one. On 13 September Allen  
7 calls the DCI in New York on a secure line to inform him  
8 of the possibility of an impending hostage release.

9 MR. MC FADDEN: May I just ask a follow-up  
10 question? If you assume the scenario that you have just  
11 described whereby the U.S. Government, the President  
12 objected to the Israeli shipment and the Israelis did it  
13 in the face of that objection, there is no violation of  
14 U.S. law there as far as the U.S. Government is  
15 concerned. The Israelis just simply violated their  
16 contractual arrangements with the U.S. Government.

17 It does raise, however, the question of  
18 reporting that. You don't know how that matter was  
19 resolved, I take it.

20 MR. GATES: No.

21 MR. MC FADDEN: I mean, how that was addressed.

22 MR. GATES: (Nods negatively.)

23 MR. MC FADDEN: Okay. We don't have any  
24 indication of that either.

25 MR. ROSTOW: Do you know of a tacit

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1 understanding between the State Department and Congress  
2 with regard to Israeli shipments, transfers of American  
3 arms to their friends in Lebanon, that such transfers  
4 would not be reported because Congress was getting fed up  
5 with getting a report every other minute of such  
6 transfers?

7 MR. GATES: No. This is the first I've heard  
8 of it.

9 MR. MC FADDEN: Could I then just follow on to  
10 the November situation? If the November shipment went  
11 forward in the form that it did, it seems to me unless  
12 there was a Presidential Finding, that constituted,  
13 arguably, a violation of the requirements as far as the  
14 Agency was involved to have a Presidential Finding. Is  
15 that your judgment?

16 MR. GATES: It was clearly John McMahon's view  
17 that a Finding, knowing what he knew, that a Finding was  
18 required, and the day he was informed, the 26th of  
19 November, he filled in the General Counsel. The General  
20 Counsel agreed with him and that same day they prepared a  
21 Finding and sent it down to the NSC. The DCI signed off  
22 on the Finding and sent it down to the NSC.

23 MR. MC FADDEN: Is it your judgment, in  
24 retrospect, given that McMahon knew what he knew, that a  
25 Finding was in fact required?

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1 MR. GATES: Oh, I think in retrospect, yes,  
2 that a Finding would have been required to do that.

3 MR. MC FADDEN: Now the Agency recommended and  
4 drafted a Finding. What did the Agency do to deal with  
5 the fact or at least their view that a violation had been  
6 committed here of their obligation?

7 MR. GATES: Well, again even at that point,  
8 despite Sporkin's or my understanding of Sporkin's  
9 agreement with McMahon that they ought to get a Finding  
10 was that under the circumstances it was at least an  
11 ambiguous case whether a Finding actually had, whether  
12 there had to be a Finding to cover that activity.

13 McMahon's direction, as I understood it, was  
14 that there would be no more activity like that without a  
15 Finding. I have seen nothing to suggest that John  
16 believed at the time that there had been a violation of  
17 the law or that the lack of a Finding in some way should  
18 be reported.

19 The one thing that has not come out in all of  
20 this is that regardless of whether a violation of the law  
21 occurred or -- that's a very ambiguous situation, based  
22 on everything I have read -- but the fact is those who  
23 authorized the use of the proprietary did in fact violate  
24 an Agency regulation which provides that no operational  
25 support request from the White House office shall be

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1 fulfilled without the specific approval of the DCI.

2 It's referred to as the Gordon Liddy rule that  
3 they require a specific authorization and they did not  
4 have that.

5 MR. MC FADDEN: It seems to me that given the  
6 situation that was presented to Mr. Sporkin -- that is,  
7 that this activity had occurred and there was no Finding  
8 -- that it was certainly prudent to try a ratification  
9 approach. That didn't change the fact of whether when it  
10 occurred there was a problem and a violation had  
11 occurred. It also seems to me justifiable from Junowicz'  
12 point of view, from the point of view of the people who  
13 were actually operating, who didn't have the full story,  
14 who didn't know this was part of a broader pattern, that  
15 from their standpoint this may not have required a  
16 Presidential Finding.

17 But in light of McMahon's knowledge and  
18 McMahon's reaction and the broader picture of what had  
19 occurred, it seems to me that your conclusion is sound,  
20 that a Finding was required. And that's not a close  
21 call. That's a fairly clear call under the circumstances.

22 All I am suggesting is the notion of  
23 ratification doesn't go to the question of whether a  
24 violation has occurred. It helps to try to deal with a  
25 violation if you have one on your hands, and that's what

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any lawyer winds up getting. He finds a problem and he says what do I do now to try to deal with it. The question of whether a violation occurred earlier has to stand on the facts.

MR. GATES: My problem in answering your question is that I have, according to McMahon's testimony, the fact that Sporkin agreed with him on the 26th that a Finding probably was needed and that there should be a Finding. It's not clear to me whether that was prospectively. In other words, if you wanted to do anything else like that you needed a Finding, which was the way John had cast it -- that we need a Finding if we are going to do more of these things.

That doesn't tell me whether Sporkin also thought that the one of the 23rd and 24th of November needed a Finding, although you can infer from the fact that he wanted to try to get ratification language after the fact, suggests at least he would have felt more comfortable with it.

By the same token, I have in this text, coordinated by our General Counsel's office last week, the statement that that flight was not -- that the failure to have a Finding, that allowing that flight to take place without a Finding, did not represent a violation of law.

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1 MR. MC FADDEN: They had made that judgment now  
2 in light of all of the facts at the time?

3 MR. GATES: Yes. So I've got --

4 MR. DAWSON: Two lawyers arguing.

5 MR. GATES: I'm glad you said that.

6 MR. DAWSON: No. Sporkin said it; I'm not  
7 saying it.

8 (Laughter.)

9 SENATOR MUSKIE: The way Sporkin described it  
10 to us was that he thought with respect to the past he  
11 ought to at least try to get ratification, whatever that  
12 might do otherwise.

13 MR. DAWSON: I was describing Sporkin's  
14 disputing Dougherty having told him that indeed a Finding  
15 was necessary.

16 SENATOR MUSKIE: Being a very aged lawyer, I  
17 would tend to agree with Clark. The problem that McMahon  
18 was confronted with required some pragmatic  
19 problem-solving and not a legal judgment so much at that  
20 point.

21 MR. DAWSON: And I presume that obviously in  
22 retrospect you would go back and you wouldn't do it this  
23 way again.

24 MR. GATES: I have said in this speech that in  
25 my view any operation or operational support activity

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1 other than counterintelligence and intelligence  
2 collection that our officers ought to go into it with the  
3 assumption that a Finding is needed, and let the lawyers  
4 decide that it's not needed rather than the reverse, that  
5 the presumption should be for an operational activity  
6 that a Finding is needed.

7 Then, if we decide it's not, based on legal  
8 opinion, then we can change that approach. But in effect  
9 what I am trying to convey to the groups here is you  
10 should err on the side of believing that a Finding is  
11 required when somebody asks you to fly a plane or deliver  
12 something or whatever.

13 SENATOR MUSKIE: Let me ask this as a matter of  
14 trying to identify the procedure that is used here. The  
15 President obviously has several kinds of occasions on  
16 which he meets with his top national security advisors,  
17 some of them more formal than others. And I suppose  
18 occasionally there might be one when they are all present  
19 or out at a very informal luncheon table without  
20 notification in advance, without the formal steps to  
21 create it.

22 The question that troubles me is if there is  
23 such a meeting, for example the one of 22 August, however  
24 formal or informal that was -- and this doesn't indicate  
25 the formality of it -- a decision was taken. Now what is

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the practice with respect to informing those agencies or departments headed by the NSC participants of what took place?

What is the practice? Is there any documentation? Is it regarded as necessary to always have documentation which is then distributed in some fashion to the people who have to implement these decisions, or are they just left hanging in the air to be identified and picked up some time later in circumstances such as we are working under?

MR. GATES: My perception is under this Administration, as well as the three that I served on the NSC staff with, is that it differs. It varies greatly with the nature of the meeting, the formality of the meeting, whether there is a notetaker present, whether the nature of the decision being taken, whether it's a small tactical step or whether it's a significant policy step with the sensitivity. Sometimes decisions are made that people don't want to put down on paper. My impression is that it varies greatly.

SENATOR MUSKIE: Well, in this case it seems to me that on occasion people just took Lieutenant Colonel North's word that he was acting with authority and even with respect to a Finding that was locked up in

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1 somebody's safe, as you described the one in January.

2 MR. GATES: Well, in the case of 17 January  
3 Finding several of our officers did see that signed  
4 Finding at the time. We just didn't get a copy of it.

5 SENATOR MUSKIE: Well, with respect to the 5  
6 December Finding McMahon has testified that North told  
7 him or told somebody who told him that there was only one  
8 signed copy locked up in North's safe because it was of  
9 such a sensitive nature. Well, are people to take  
10 North's word from what his authority was if he contains  
11 in his safe the only evidence of that authority?

12 MR. GATES: Well, I certainly wouldn't. And,  
13 as I say in this little talk, one of the things that I  
14 think we ought to be faulted for is accepting that kind  
15 of thing and not going back even on the 5th of December  
16 and having somebody look at it. At least in the case of  
17 the 6 January Finding, at least the General Counsel saw  
18 that, and on the 17 January Finding, even though we  
19 didn't get a copy, at least we had several officers  
20 personally read it in Poindexter's office.

21 SENATOR MUSKIE: A signed copy?

22 MR. GATES: Yes. So in those two cases at  
23 least we had somebody in the Agency who could attest to  
24 the fact that such a Finding existed. I don't know why  
25 no one ever followed up after the December 6.

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CHAIRMAN TOWER: The December 6, and then about a month later there was a subsequent one, and nothing had happened in the course of that month.

MR. GATES: That's correct.

CHAIRMAN TOWER: Is it likely that if something were to transpire, you were to be utilized or something, in that period that somebody would have insisted on seeing it?

MR. GATES: I would assume now, and I would have assumed then, that John McMahon would not have allowed any operational activity to take place without somebody having laid eyes on that December Finding or November 26 Finding, whatever the date was.

MR. MC FADDEN: Well, I can understand your concern about the procedures that were followed with respect to the Finding, but I fail to see how it had a material impact in this case. There clearly was not a Finding in the earlier activity, at least in August. We may or may not have had an oral Finding in November. But, in any event, that's a real problem, whether that would constitute a violation or not.

But, except for that activity, the November shipment, there was never any doubt that any other activity was covered by a Finding, and whether you actually got a copy of it or not --

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MR. GATES: That's correct. That's fair.

MR. MC FADDEN: -- the Finding was explicitly made and you had people who saw it.

MR. GATES: That's correct.

MR. MC FADDEN: So it seems to me it doesn't really go to the heart of this issue. I would like to go back to the line of questioning of the Chairman at the outset here relating to the professionalism of how this operation was run.

It seems to me I have a suggestion from what you have said in your conclusions here that one of the basic problems with this operation is it was not very professionally run and had this been turned over to the Agency at the appropriate time we may have had a very different result here. I would like to probe that a little more because I think that is an important conclusion for the Board.

How would the NSC -- excuse me, how would the Agency have been able to avoid the use of intermediaries in this case?

MR. GATES: Well, let me go back just one step before that. I don't see how this operation in its totality, again leaving out any question of diversions, could have been run by CIA, because what was involved here was a negotiation with Iran. Now I suppose that we

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could have had George Cave, on instructions from the president, go to the Iranians and say here is our position or here is the United States' position, but it would have put the CIA in the position of negotiating with a foreign government on a non-intelligence problem.

I mean, if I had been in my present position at that time, I would have said wait a second. That's not the way these things operate.

CHAIRMAN TOWER: I think that is pretty clearly understood, but it is the other aspect of the operation other than the logistical side of it.

MR. GATES: The funding aspect.

CHAIRMAN TOWER: Yes, the funding, the transfer, all of that. And, of course, in fact even though you don't negotiate, your people go along to provide the support.

MR. GATES: Sure.

CHAIRMAN TOWER: So I would agree, and I wouldn't suggest that the Agency be placed in a position of conducting the negotiation.

GENERAL SCOWCROFT: In fact, there are no negotiations and the whole thing really is an arms for hostage operation.

CHAIRMAN TOWER: That's what it turns out to be.

GENERAL SCOWCROFT: Which is essentially your

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kind of business. I mean, I'm talking about the facts of it and the way the things happened, the details of planes taking off and one hostage released and how many would be released after this shipment and so on.

CHAIRMAN TOWER: That could have been a totally CIA operation, Brent. But there were other points of reference.

GENERAL SCOWCROFT: There were.

CHAIRMAN TOWER: Involved, in which you should use a representative of the President.

GENERAL SCOWCROFT: That's true.

CHAIRMAN TOWER: Rather than a CIA operative.

MR. GATES: In terms of your question now, there are two sort of basic considerations that establish the framework for whatever arrangements are established. The first is that because the Iranians were so badly stung by scams in the first few years of the war they will not pay for any weapons except after they are delivered COD. The Agency, under the law and under the rules, cannot buy weapons from the Department of Defense when it does not have a preexisting source of funds to pay the Department of Defense for those weapons.

Now in effect what the NSC went out and did was create off-line a bridge loan to straddle those two considerations. Now, I don't have any great ideas on

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1 how, if we had done this officially and without the use  
2 of intermediaries, or if we had done it without the use  
3 of private financing -- let's put it that way -- because  
4 we would have probably ended up using some kind of  
5 intermediary, but for the arms themselves I don't know  
6 exactly how you could have orchestrated that to get past  
7 those two -- one, a consideration of law and regulation  
8 and, on the other, a consideration of practice -- how you  
9 could get around that.

10 But I am convinced that there is a way it could  
11 have been done. There are ways in which the money and  
12 the arms are handled at the same time that somehow could  
13 have been worked out.

14 MR. MC FADDEN: I happen to agree with you on  
15 that.

16 MR. GATES: But I don't know. It would take  
17 some of our operational experts who perhaps have been  
18 engaged in things like that who can figure out how that  
19 might have been done.

20 SENATOR MUSKIE: Or something like this had to  
21 be done in 1980 with the Iranian hostages release. We  
22 had to find a way to put money in the hands of the  
23 Iranians at the same time that they had let go of them.

24 MR. GATES: You know, one possibility that just  
25 immediately, off the top of my head, occurs would be for

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the Iranians to deposit the money with the Algerians as in an escrow account of some sort, and our weapons to be put into the hands of the Israelis or whoever the Iranians designated and at that moment the transfers were made or something.

It is not beyond the wit of man to design something.

SENATOR MUSKIE: But there was a more professional way of doing it.

MR. MC FADDEN: But that is just one aspect of this transaction, the use of intermediaries. I would like to pursue some of the others because it seems to me you could have eliminated intermediaries but still would that have made any difference here.

Now what about secrecy? You have a situation where, exchanging weapons for hostages in an Iranian context, what are the chances under any scenario with the Agency handling it in your most professional way that that is not going to be disclosed? What is your judgment on that? Was there a possibility in this environment in Iran to provide significant amounts of weapons for hostages without this effort breaking?

MR. GATES: Well, in fact that happened for better than a year and, based on my experience over the last half dozen years, the prospects for us keeping it

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secret, now just being perfectly honest with you, the prospects for us keeping it secret if we had gone through the regular covert action approval procedures in the Executive Branch and if we had prior notified the Committees of the Congress would be very low, especially if there were people either in the Executive Branch or the Congress who disagreed with it.

GENERAL SCOWCROFT: Which there would have been in this case.

CHAIRMAN TOWER: It is always easier to keep a secret if everybody agrees it should be done.

MR. GATES: Well, our current situation with covert actions is a good example. We have a bunch of covert actions that have never leaked because nobody disagrees.

MR. DAWSON: Are you going to move on beyond this area?

MR. MC FADDEN: Well, I would like to press this a little further. You mentioned the analytic capability and that the risks might not have adequately been set forth here. I am puzzled by that contention. It seems to me that at least the DCI had quite a full opportunity to inform the President and the others in the National Security Council of the risks in this operation. To be sure, there were major risks, but I

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find it hard to conclude, looking at the January 17 finding, that at that point the President had not had adequate notice of the risks in this situation.

After all, he had had the Secretary of State tell him it wasn't a good idea. He'd had the Secretary of Defense on more than one occasion tell him it was not a good idea. Do you think that in this situation that exposing this to the analytic capability of the Agency or any other part of the national security system would have resulted in the President having a more keen or compelling exposure to the risks of this operation?

MR. GATES: The President might have had a clearer idea about how the Iranians negotiate, which no one involved appears to have surfaced. The President would have had a better notion of the political milieu in Tehran that he was getting himself engaged with, and that some of the assumptions that people were telling him about might not be as clearcut as they thought.

I think that if some of our other people -- not necessarily the analysts -- had been involved he might have learned a little bit more about how the international arms business works and the kinds of people who are tied up in that. So there are various aspects of this that may not have been critical to it, but I think would have allowed the President and those on the NSC

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implementing his policies to have a clearer appreciation of the difficulties they were going to encounter.

I mean, one of the things, for example, that I believe was a serious strategic mistake was the first time that the scenario was violated, in other words the first time that the Iranians did not come through as originally agreed between the Iranians and the Americans, for the Americans just to have said all right, that's it. But, frankly, you know if somebody negotiated in this government, negotiated with the Soviets like these guys negotiated with the Iranians, they would really be in trouble.

MR. MC FADDEN: What about another area, and that is alerting the President to what some witnesses before the Board have contended that there was an essential error in this judgment on this, and that is the political reaction of the United States people, of the nation, to this kind of an arrangement, the kind of outcry and bitterness that ensued? What would be the reaction if it became public?

Would the Agency have been able to help him in any way with that?

MR. GATES: No.

MR. MC FADDEN: Is there anything in this process that would have helped him with that?

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CHAIRMAN TOWER: I'd have to say that I don't regard that as an Agency responsibility. I think that is the responsibility of his immediate advisors and NSC.

MR. GATES: Let me say that (a) we are not supposed to, and, secondly, I would say that we are probably some of the least qualified people to do that.

MR. MC FADDEN: But was the National Security Council staff the place for that to have occurred?

MR. GATES: No. I agree with the Chairman. I think that has to come from the President's close-in advisors.

CHAIRMAN TOWER: I would include his National Security Advisors, because they are supposed to be alive to political sensitivity.

MR. GATES: But not the National Security staff for the most part. Sometimes they can raise some warnings, but they tend not to be very either expert or credible on domestic politics.

SENATOR MUSKIE: It would have to include the Secretaries of State and Defense.

MR. DAWSON: I am interested in trying to sort out the relationship between anybody in your position and the Director. I was intrigued the other day to find out from Mr. McMahon that at certain particular periods throughout this he is not informed by the Director about

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1 the things which the Director knew which he regarded as  
2 unusual. But it happens in this case pretty often.

3 I mean, there is a draft NSDD which, while it's  
4 not sent to him -- it's sent to Shultz and Weinberger --  
5 he responds to on July 17, 1985, supporting the draft  
6 NSDD. McMahon knows nothing about that. He didn't see  
7 it. He doesn't know anything about the draft NSDD or the  
8 response, according to what I think McMahon testified. I  
9 don't think anybody would quarrel with that.

10 GENERAL SCOWCROFT: That is correct.

11 MR. DAWSON: There is also a January 3 meeting  
12 at the Director's home in 1986 where North is present,  
13 and I believe Sporkin is present, but McMahon doesn't  
14 even know about that Finding, I think he testified, until  
15 January 24. That was the first he'd heard about it.

16 I am troubled by your conclusion that some of  
17 this compartmentation was imposed by people outside. I  
18 mean, I would argue that some of your compartmentation  
19 was imposed by people inside, namely the Director. I  
20 guess a lot of your conclusions are based on the rather  
21 sensitive relationship between the CIA and its prime  
22 customer, the National Security Council, and I think that  
23 is a tough one to try to sort out.

24 But I think not having the Director available  
25 to speak for himself is obviously a big problem here.

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1 But, based on what McMahon says about what he knew, it's  
2 remarkably -- something is going on in this relationship  
3 between the two of them that I really don't quite fathom.

4 MR. GATES: Well, clearly one of the problems  
5 -- and I mention it in the speech -- one of the things  
6 that we did was we tolerated an externally-imposed  
7 compartmentation and we probably then made it worse in  
8 some respects. With respect to the Director, with  
9 respect to that, first of all, there are things that go  
10 on that, you know, one of the questions I was asked by  
11 the House Committee when I went up there a few weeks ago  
12 was whether I had read a cable from McMahon to Casey,  
13 this cable of 26 January in which he expressed the deep  
14 reservations of the entire senior management preparing  
15 these materials.

16 I had never seen that, and I had never known  
17 that McMahon sent that.

18 MR. DAWSON: That doesn't surprise me. You're  
19 DDI.

20 MR. GATES: Fair enough, and that was my  
21 answer. But my own view, my own speculation on this  
22 about Casey and McMahon and perhaps Casey and myself is  
23 two considerations. First of all, the Director is, this  
24 Director does not go out of his way after meetings,  
25 routine meetings, to provide feedback to people on what

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1 went on. If we ask him we find out, but, for example,  
2 just like when -- we have a weekly breakfast with Cap  
3 Weinberger and we have a weekly meeting with the National  
4 Security Advisor. And the DDCI always does some notes  
5 after that that informs people of what transpired, what  
6 things were raised and what the disposition was.  
7 When the DDCI's not present that never gets  
8 done. It's just the Director's style of work. He will  
9 tell you. He's not keeping secrets from you. He just  
10 has other things on his agenda than dictating notes of  
11 meetings.

12 And it's altogether conceivable to me that with  
13 no malice aforethought, with no intention of withholding  
14 information from the DDCI, from McMahon, that Casey held  
15 these meetings and then went on to the next thing on the  
16 agenda, and it doesn't surprise me at all.

17 One of the things that I think there is a  
18 tendency to overlook is at key moments of this whole  
19 affair how many other things were going on at the same  
20 time. That is the second consideration I was going to  
21 raise. You know, in the middle of October, one of the  
22 questions is well, gee, why did it take you guys a week  
23 to get the information to the NSC about our concerns on  
24 the operational security. Well, we were in the middle of  
25 trying to deal with Reykjavik. We had the Hasenfus plane

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1 down. We had a big hassle going on with the Hill on a  
2 couple of issues. We were trying to get the contra  
3 program started the first, and so on, and so on.

4 But the point is all I'm trying to say is that  
5 I would not necessarily regard it as sinister that Casey  
6 did not tell McMahon about some of these things because  
7 he told him a lot of things about other things relating  
8 to the program that were just as sensitive. I think it's  
9 just part of the Director's work style rather than an  
10 attempt to withhold information.

11 MR. DAWSON: Well, I guess there is another  
12 aspect to it, and that has to do with McMahon's testimony  
13 that everybody knew that they weren't to undertake these  
14 activities any more without checking with him first or  
15 without getting a Finding. But somehow Clarridge doesn't  
16 know that or Clarridge says I didn't know that. He never  
17 told me.

18 But he, McMahon, can't recall how he put that  
19 order out. He apparently didn't. I don't argue, and I  
20 am not trying to impute a lot of sinister character to  
21 this. I am just trying to sort out how you suggest to  
22 the President that we can avoid a recurrence of this.

23 What is it? If you get busy, be careful? I  
24 mean, that's not very helpful.

25 MR. GATES: Well, I'll tell you it seems to me,

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1 in thinking about the Commission and the kinds of issues  
2 that you all are interested in, it seems to me that one  
3 of the most important lessons of all of this is, in my  
4 judgment, the Administration has a good process for  
5 developing and approving covert actions. It has a  
6 reasonably decent process in terms of policymaking and  
7 involving the proper actors.

8 It seems to me that if there is a single  
9 important lesson out of this whole affair it was that the  
10 process was ignored, and from that flow all kinds of bad  
11 things in this thing. If the process had been observed,  
12 even if you exclude from that process the prior  
13 notification of the Congress for secrecy reasons, and  
14 even if you severely abbreviate the number of people who  
15 have access to it but you still go through the process  
16 and have people do the things they are supposed to do, at  
17 least the operational irregularities and failures of the  
18 thing could have been avoided.

19 GENERAL SCOWCROFT: That is a part of a lot of  
20 our questioning, and I understand your answer to Rhett  
21 about especially the later period. But here in 1985,  
22 sometime during the summer and fall, we have what I would  
23 call an absolute revolution in U.S. foreign policy both  
24 with how you deal with hostages and the whole Iran-Iraq  
25 war. [REDACTED]

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1 [REDACTED]  
2 [REDACTED]  
3 [REDACTED]  
4 [REDACTED]  
5 That's what amazes me, that all of this took  
6 place without anybody even hardly remembering it  
7 happened. I agree completely with your analysis, but  
8 what we're trying to find out is why wasn't the process  
9 followed and, even if it wasn't, why didn't somebody  
10 stand up and scream, my God, do you realize what we're  
11 doing and if this thing leaks what the consequences are?

12 MR. GATES: My impression is that those views,  
13 this meeting on December 5 that John McMahon had with the  
14 rest of us, my impression is that John was using it to  
15 prepare himself for a meeting in the residence on the 7th  
16 of December where he stood in for the Director and it is  
17 my impression from John that he and the Secretary of  
18 State and the Secretary of Defense, all three, at that  
19 meeting strongly expressed their reservations, their  
20 concerns, their opposition to the thing.

21 GENERAL SCOWCROFT: All the chronology says,  
22 the meeting is 7 December and so on to discuss an  
23 expansion of the informal link between the Iranians and  
24 the Israelis.

25 MR. DAWSON: Read the 5 December one, the one

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1 He is referring to.

2 MR. GATES: The 7 December meeting is the one  
3 with the President.

4 GENERAL SCOWCROFT: I understand the 5 one.

5 MR. GATES: Again, I'm just trying to recall  
6 what John told me. It was that, you know, he had his  
7 shot at it along with the others and they made their  
8 views known very clearly to the President at that point  
9 about the whole thing. I don't know what John said. I  
10 don't know if he raised the fragility of the Iraqis or  
11 whether he just said it was operationally stupid or  
12 what. And John might not have been quite as forceful as  
13 he recalls in hindsight. I don't know.

14 GENERAL SCOWCROFT: Few people are with the  
15 President.

16 (Laughter.)

17 MR. GATES: My impression is that that is one  
18 instance, for example, where people did express in fairly  
19 direct terms their opposition to the thing.

20 GENERAL SCOWCROFT: Do you think that the  
21 President was so concerned with this opportunity to  
22 establish contact with the Iranians that he overruled all  
23 of his principal advisors?

24 MR. GATES: I don't know.

25 GENERAL SCOWCROFT: That is a facetious

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1 question, really.

2 SENATOR MUSKIE: Did the 7 December meeting  
3 include -- yes, it did -- the Secretaries of Defense and  
4 State. But in the meeting of December 16, the DDCI  
5 mentioned the December 7 meeting at the White House and  
6 didn't describe any of those broader issues that Brent  
7 has referred to. I think that is a basic question.

8 MR. ROSTOW: Did it occur to anybody at the  
9 Agency that once the President had made his decision  
10 after hearing the opposition of the senior Departmental  
11 advisors that maybe they should have said okay, Mr.  
12 President, I don't agree with you but we're going to take  
13 over this operation to make sure it's done right because  
14 we know and we have informed you of our serious  
15 reservations about the way it's being conducted and the  
16 people that are involved?

17 MR. GATES: Well, again I don't know what John  
18 said or the Director in terms of worries about the  
19 operational approach or the way they intended to go about  
20 doing this thing. But, to the best of my knowledge,  
21 nobody said that.

22 MR. ROSTOW: Nobody talked about it in the  
23 Agency? There was no scuttlebutt? You said that Mossad,  
24 for example, isn't too unhappy to see Nir up to his  
25 eyebrows.

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1 MR. GATES: That is just gossip.

2 MR. ROSTOW: But couldn't the same thing be  
3 said about the Agency and Ollie North?

4 MR. GATES: No, I don't think so. I think that  
5 the general view of people in the Agency who dealt with  
6 Ollie was that Ollie was one of the few people on that  
7 NSC staff who could get things done. I had that view  
8 myself, and not in an operational context. The  
9 Administration established, largely at Ollie's  
10 insistence, in 1981, late '81, between Ollie and Bud  
11 McFarlane the crisis preplanning group, which was  
12 essentially an under secretaries group to try and worry  
13 about crisis situations below the level of the Vice  
14 President and the Cabinet level group.  
15 And that group basically dealt with all kinds  
16 of problems, from Lebanon to Grenada to Libya, a dozen  
17 different problems. Ollie was the driving force behind  
18 that. If Ollie hadn't been pushing it, if he hadn't been  
19 pushing Poindexter and Bud to have those meetings and to  
20 get that group together, to force them to deal with some  
21 of these issues, it would have never happened, in my view.

22 So I think that the general attitude among  
23 those who knew Ollie was, first of all, they liked,  
24 almost, I would guess, to a man, liked him as a person,  
25 and, second, had some respect at least for the fact that

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1 he could move a problem from point A to point B. So I  
2 don't think there was any sense of let's let him get into  
3 trouble and hang himself. I just don't think there were  
4 feelings like that about North.

5 There were worries that he was kind of a  
6 cowboy, that sometimes he did go too hard. But we're not  
7 unfamiliar with people like that. We've got a few of  
8 them ourselves. So the notion was, you know, you just  
9 make sure everything is approved. And one of the  
10 things, in talking about the people taking North's word  
11 for it, it didn't take too many instances of disagreeing  
12 with Ollie or having a problem with something Ollie said  
13 and going to Poindexter and being told no, he was  
14 authorized to do that, to realize that Ollie was  
15 basically speaking on the things we were dealing with him  
16 about, was basically speaking for Poindexter.

17 SENATOR MUSKIE: Well, do you think, then, if  
18 there was a diversion that North had authority to arrange  
19 it?

20 MR. GATES: I really don't know.

21 SENATOR MUSKIE: I mean the get-down guys have  
22 their value.

23 MR. GATES: I really don't have the faintest  
24 idea.

25 SENATOR MUSKIE: I'm sure you don't, but you

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1 just said, you know, these fellows have some reputation  
2 for being cowboys. You said just be sure they don't go  
3 too far. How do you manage that with an Oliver North? I  
4 won't pursue that.

5 MR. GATES: I would put an attorney next to him  
6 in my shop, a good lawyer.

7 SENATOR MUSKIE: Well, North went to a lawyer  
8 and he apparently knew. He apparently had some pretty  
9 good judgment as to what problems he had gotten involved  
10 in.

11 MR. ROSTOW: Was there a sentiment that North  
12 was the kind of fellow who could get things done and in  
13 some respect the Agency was a kind of institution that  
14 could not get things done?

15 MR. GATES: No, I don't think so. I didn't  
16 have that sense.

17 MR. MC FADDEN: Well, when you say one of the  
18 lessons here is that the process wasn't used, can you  
19 enlighten us on other ventures that Ollie North was  
20 involved in where the process was used any differently  
21 than it was here?

22 MR. GATES: Sure, Grenada, the Achille Lauro.

23 MR. MC FADDEN: And what were the essential  
24 differences in the process there that didn't occur here?

25 MR. GATES: Well, those did not involve covert

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1 action, but it involved the use of several different  
2 agencies. It involved the use of operational forces,  
3 operational activities. And my impression has been that  
4 North worked very closely with the right people in DOD,  
5 worked closely with the right people in our place in  
6 terms of gathering the right information, worked closely  
7 with the right people in NSA in terms of bringing all  
8 those things together and making it happen.

9 CHAIRMAN TOWER: Then again it comes up to the  
10 decision between overall management and coordination of  
11 an effort and actual operational activity.

12 MR. GATES: I would make that distinction.

13 CHAIRMAN TOWER: About implementation through  
14 operation.

15 MR. MC FADDEN: What is your sense of Colonel  
16 North's operational activity on this particular matter,  
17 the Iran-contra thing? What did he actually do that was  
18 operational, in other words, that he did that the Agency  
19 may have been able to do?

20 MR. GATES: Well, it would appear that he had a  
21 role in establishing these financial linkages. I don't  
22 know that for a fact, but it appears to be the case.

23 CHAIRMAN TOWER: Or tasked others to do it?

24 MR. GATES: Or tasked others to do it outside  
25 the government.

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1 MR. MC FADDEN: On that very point, we would  
2 like to pursue that with you to see what you and your  
3 Agency can do to help us on the question of accounts and  
4 so forth, to see what really happened here. I just know  
5 what Mr. Casey said to the House Select Committee on  
6 Intelligence in his testimony on November 21 in talking  
7 about the funding.

8 "I want to reiterate that the funds for the  
9 procurement of material enumerated above, as well as all  
10 associated costs, were provided by the Iranians  
11 themselves. Funding from Iran was transferred to CIA for  
12 deposit in a covert funding mechanism. This action  
13 provided secure means for control, payment and  
14 accountability of all funding associated with this  
15 program."

16 Now is that your impression of the way the  
17 funding for this program was handled -- through a  
18 mechanism that was secured for control, payment and  
19 accountability of all funding?

20 MR. GATES: My understanding of the funding  
21 arrangements were that, particularly in the first  
22 channel, was that because of the Iranian requirement that  
23 the weapons, that no payment be made until delivery, that  
24 the investors put up a bunch of money -- \$15 million,  
25 whatever it was. That money was put into one set of

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1 accounts. I have variously heard those accounts  
2 described as Israeli accounts, as intermediary accounts,  
3 whatever.

4 The precise amounts that we were billed by DOD  
5 or that DOD told us would be the charged were transferred  
6 into our account through an electronic transfer from  
7 these other intermediary accounts, and only that money  
8 which was required to pay our bills was transferred into  
9 those accounts. And that's where we can account for  
10 every penny of the money that came into our hands. And  
11 then our payments were made directly to DOD.

12 But there are these other accounts into which  
13 the money was originally put, we don't have the faintest  
14 idea to this day how much money went into those accounts  
15 and where it went.

16 GENERAL SCOWCROFT: It is my impression that  
17 our finance people know about everything there is to know  
18 about establishing accounts and this and that and the  
19 other thing. Have you tried, have your people tried to  
20 trace any of this as to, you know, what the various steps  
21 were, just informally to try to sort through this thing?  
22 Or could you? Do you think your people could find it?

23 CHAIRMAN TOWER: Have you tried to draw a flow  
24 chart or anything like that?

25 MR. GATES: In terms of account numbers and

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1 that sort of thing?

2 GENERAL SCOWCROFT: Yes.

3 MR. GATES: Not that I am aware of.

4 GENERAL SCOWCROFT: Account numbers, what the  
5 various people who handle anything at all, who they are?  
6 I mean, I think you have got some real experts in there  
7 that know a lot about this stuff.

8 CHAIRMAN TOWER: To follow up on that, would it  
9 be useful for us to have our staff talk to your finance  
10 people about this?

11 MR. GATES: Sure. I don't know whether it  
12 would be useful, but you are welcome to. And, if you  
13 want to ask them to see if they can trace back, I just  
14 don't know what's possible, but anything they can do that  
15 would be helpful we would be happy to do.

16 CHAIRMAN TOWER: I think we might want to  
17 follow up on that.

18 MR. DAWSON: While we are on the subject of  
19 asking you to do things, one of the more difficult  
20 problems that we have had is trying to trace down the  
21 contra money, not just the front end of it, which I think  
22 you are talking about now, but the back end.

23 CHAIRMAN TOWER: Yes, the back end.

24 MR. GATES: Do you mean in terms of what flowed  
25 to the contras, what equipment flowed to the contras?

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1 MR. DAWSON: Mr. Fiers told us that he could do  
2 some charts if we wished, and I guess we should make it  
3 official and ask you to do that, if you would.

4 But the second part of that is trying to see if  
5 there is any intelligence collection that has previously  
6 been or could be massaged or further developed to see if  
7 it would shed any light on all of this.

8 CHAIRMAN TOWER: In other words, using your  
9 assets [ ] to try to find out what came out  
10 the other end, or if indeed anything came out.

11 GENERAL SCOWCROFT: Yes.

12 MR. DAWSON: I will talk to John Pereira about  
13 this, if it helps. It might make life a little bit  
14 easier.

15 MR. GATES: Why don't you give that  
16 specifically to John -- I will mention it -- exactly what  
17 you want? I know that you have information on the  
18 flights that were made into Nicaragua. I have seen a  
19 chart of flights, the kinds of planes, and the dates that  
20 they flew. I don't know exactly where they flew. We  
21 have some information along those lines.

22 MR. DAWSON: I don't know whether that includes  
23 the Secord-sponsored flights or not. My impression is  
24 that that's not true. I wish it were so.

25 MR. GATES: I just don't know.

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1 MR. DAWSON: Who should I talk to -- John --  
2 about all of these, to try to line this up?

3 MR. GATES: I will take care of the one the  
4 Chairman mentioned to me before the meeting, but on these  
5 others why don't you talk to John directly?

6 MR. DAWSON: Maybe it would help to have what  
7 the Chairman talked to you about before the meeting, this  
8 list of key players (indicating).

9 SENATOR MUSKIE: Do you know whether or not  
10 there was a diversion of funds?

11 MR. GATES: No.

12 MR. ROSTOW: Were you aware that Secord had  
13 been denied a security clearance by the CIA?

14 MR. GATES: No. Secord's problems with -- as I  
15 said, my understanding is that those problems had  
16 occurred in connection with Wilson and so on, and all of  
17 that happened at the Agency. That really was, if you  
18 will forgive me, on the other side of the house, on the  
19 operational side of the house, and I just didn't get  
20 involved in it, quite honestly, and didn't know much  
21 about it.

22 I heard things about Wilson and Terpil and  
23 later about Secord and so on, but I didn't know any of  
24 that stuff sort of firsthand or what was bothering them.

25 MR. BRUH: Could I ask you to follow up on

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1 that, though, and maybe even to speculate? Would it be  
2 your opinion that since the Agency knew that retired  
3 Major General Secord was so involved in the Iranian part  
4 of it, if not the contra side of it, that knowing what  
5 the Agency knew about Secord, which you said was kind of  
6 general information before about him, that they would  
7 have felt obligated to tell somebody, even if it was  
8 somebody above Colonel North, that they were dealing with  
9 somebody, namely General Secord, who was not trustworthy?

10 MR. GATES: I don't know that that wasn't  
11 done. In other words, it may well have been McMahon or  
12 somebody at some point or somebody from the Directorate  
13 of Operations said that. You get different views on  
14 Secord within the Agency. Some people believe that  
15 nothing has ever been proved against the guy.

16 MR. DAWSON: In a court of law, that's true.

17 MR. GATES: Yes, and that he's gotten a bum  
18 rap. Others basically have their own opinion.

19 MR. BRUH: Would the Agency basically have  
20 gotten a copy of the last FBI-Department of Justice  
21 report on the DISCO, General Secord, et al. matter?

22 MR. GATES: Not normally, I don't think. It  
23 might have come to us if Secord applied to us for a  
24 security clearance at some point subsequent to that, and  
25 we would have done a national agency check. We might

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1 have gotten some part of it, but I just don't know that.

2 MR. BRUH: When General Secord -- Are you aware  
3 that General Secord makes a trip with Colonel North and  
4 George Cave and then meets with the second channel in  
5 Europe?

6 MR. GATES: Yes.

7 MR. BRUH: Would George Cave have known about  
8 the concerns about General Secord?

9 MR. GATES: The honest answer is I don't know,  
10 but since most of these problems had been related to the  
11 Near East that involved Wilson and some of the  
12 allegations against General Secord, I would speculate he  
13 might have, but I just don't know.

14 MR. MC FADDEN: Can I ask you about the funds  
15 in this case? Are you satisfied that the United States  
16 Government received all the funds that were due it for  
17 the arms transfers?

18 MR. GATES: Do you mean in terms of the pricing?

19 MR. MC FADDEN: I mean in any sense, in terms  
20 of the funds that could have been due the United States  
21 Government as a result of transferring these arms.

22 MR. GATES: Yes. And I am told that after all  
23 of the bills that we anticipate still coming in from the  
24 Department of Defense are paid that there will be  
25 somewhere in the neighborhood of \$300,000 to \$350,000

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1 left over.

2 MR. MC FADDEN: So you would conclude that  
3 regardless of any problems that could be associated with  
4 the diversion -- and there may be a lot of problems  
5 associated with the diversion, if it occurred -- that the  
6 diversion did not occur with United States taxpayers'  
7 money?

8 MR. GATES: That is correct. That is certainly  
9 my understanding.

10 GENERAL SCOWCROFT: I wouldn't have asked the  
11 question that way.

12 MR. GATES: And I may be answering a question a  
13 little different than you asked.

14 MR. MC FADDEN: I think the answer is a useful  
15 answer, if that is the answer. I don't mean to trick you.

16 GENERAL SCOWCROFT: But taxpayers' money now.

17 CHAIRMAN TOWER: Yes. You see, that is a  
18 subjective judgment about what is taxpayers' money. But  
19 the fact is that your income out of the whole thing will  
20 exceed your outlay. That is the point.

21 MR. GATES: Yes, sir, that is my understanding.

22 GENERAL SCOWCROFT: It was not taken out of the  
23 costs of the operation?

24 MR. GATES: That's correct. We recovered the  
25 monies owed the United States Government.

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1 MR. MC FADDEN: Do you have any indication that  
2 anything more may have been due the taxpayers than  
3 recovery of costs?

4 MR. GATES: How do you mean?

5 MR. MC FADDEN: Well, I think General Scowcroft  
6 is a little uncomfortable with the formulation of what  
7 constitutes taxpayers' money here. You say the costs  
8 were covered, so that as far as the arms transfers were  
9 concerned the costs were covered. Are you aware of  
10 anything else that was due to the U.S. Government in  
11 these transactions aside from the covering of costs?

12 MR. GATES: No. We spent a little over \$87,000  
13 of appropriated funds in support of the operation, but  
14 those were ordinary operational expenses that I would not  
15 consider recoverable under this, if you will.

16 MR. MC FADDEN: Well, let's state it another  
17 way. Were you aware that there was a bargain struck, if  
18 you will, between the United States Government or its  
19 agents in some way and ultimately the Iranians for  
20 compensation to the United States Government above what  
21 it was actually paid -- that is, above the costs that  
22 were received?

23 MR. GATES: No, that is the first I've heard  
24 about it.

25 MR. ROSTOW: How much money did the U.S.

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1 Government receive in the Iranian arms transfer?

2 MR. GATES: I think the total amount was on the  
3 order of \$12,237,000.

4 GENERAL SCOWCROFT: Or 238 or something.

5 MR. ROSTOW: We have heard testimony to the  
6 effect that a TOW missile on the open market costs  
7 \$10,000. To my rough calculation that would mean that  
8 some \$20 million might logically have been returned to  
9 the U.S. Government for the arms transfers. Would you  
10 agree with that?

11 MR. GATES: Not necessarily, no. My  
12 understanding is that the pricing on all aspects of it,  
13 the price of the TOWs, to the preparation of the TOWs in  
14 Alabama, to the shipping costs to our [ ] that  
15 all of those costs were arrived at through our regular  
16 focal point arrangement with the Department of Defense,  
17 and I have never heard or seen anything that would  
18 suggest that there was any monkey business in the pricing  
19 involved.

20 MR. ROSTOW: I am not suggesting that there is.

21 MR. GATES: Or that we got a cut rate from DOD  
22 on the price of the missiles. I have read that Secretary  
23 Weinberger is having people look into that and I don't  
24 know what that will result in. But my impression is that  
25 it was all very straightforward.

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1 GENERAL SCOWCROFT: Well, there may have been a  
2 difference between whether you were charged replacement  
3 cost or cost of the missiles themselves, and there is a  
4 substantial difference there.

5 MR. GATES: Yes.

6 GENERAL SCOWCROFT: But that is not monkey  
7 business.

8 MR. ROSTOW: Oh, no. I wasn't suggesting any  
9 monkey business.

10 GENERAL SCOWCROFT: But neither one has much to  
11 do with the cost on the open market of TOW missiles.

12 MR. ROSTOW: That's right. My question just  
13 had to do with whether in fact we ended up charging a  
14 price which covered our costs but which was less than  
15 what the Iranians would have had to pay I don't know  
16 where, but in some arms bazaar somewhere.

17 MR. GATES: Well, my impression is that that  
18 probably is true, but I am not also not sure you can even  
19 get TOWs on the open market.

20 CHAIRMAN TOWER: I don't think you can.

21 SENATOR MUSKIE: Do you know who quoted the  
22 price to the Iranians and whether or not it was a price  
23 based upon POD figures?

24 MR. GATES: I don't know.

25 SENATOR MUSKIE: I mean, I don't think we have

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1 any idea who quoted the price.

2 CHAIRMAN TOWER: I think we are asking some  
3 good questions, but they are maybe questions that we need  
4 to ask other people.

5 MR. MC FADDEN: Yes. We are not trying to  
6 trick you. We are just trying to find out if you know.

7 CHAIRMAN TOWER: My point is there are other  
8 people who might really be able to give us good answers  
9 to these.

10 MR. GATES: But I don't know whether -- I mean,  
11 I would think that the right scenario is we get the price  
12 from the DOD focal point and then we communicate that  
13 information to North or McFarlane, and they then tell the  
14 Iranians here is what the cost will be.

15 CHAIRMAN TOWER: The fact is, DOD sets the  
16 price; you don't dictate to DOD what the price will be?

17 MR. GATES: That is absolutely right.

18 SENATOR MUSKIE: And North doesn't either?

19 MR. GATES: That's correct.

20 MR. BRUH: Mr. Gates, it seems that in late  
21 1985, early 1986 there seems to be a tremendous amount of  
22 communications between General Secord and Ollie North.  
23 To your knowledge was the Agency aware of those  
24 communications?

25 MR. GATES: I've never heard anything about it.

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1 GENERAL SCOWCROFT: But you would not  
2 necessarily, would you?

3 MR. GATES: I wouldn't have at that time, in  
4 any event, but I also have not in retrospect and in  
5 preparation for all the hearings heard anybody say  
6 anything that would suggest we knew about such a thing.  
7 That's not to say somebody didn't, but I just haven't  
8 heard anything.

9 MR. BRUH: Specifically with regard to Central  
10 America is what I am talking about.

11 MR. GATES: NO.

12 GENERAL SCOWCROFT: Do you know anything about  
13 that relationship?

14 MR. GATES: NO.

15 MR. MC FADDEN: I have another question on this  
16 business of relating to the costs of these missiles. Mr.  
17 Casey testified in that same hearing, that same testimony  
18 I mentioned earlier, that with respect to, and I believe  
19 this is, let's see, the May shipment, May 1986, in terms  
20 of transporting these arms, that the Office of Logistics  
21 assembled the available HAWK missile spare parts at Kelly  
22 Air Force Base.

23 The parts were then transported to Israel by a  
24 private contractor, Southern Air Transport. Now in terms  
25 of the Agency, when they delivered those parts to Kelly

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1 Air Force Base, did they still maintain control, dominion  
2 or title over those parts until they got to Israel, or  
3 did turning it over to the private contractor at that  
4 point end the transaction as far as the Agency was  
5 concerned?

6 MR. GATES: As far as I know, that ended our  
7 involvement in the process.

8 MR. MC FADDEN: You turned it over there? You  
9 were paid for it and that was the end of your formal  
10 responsibility for that equipment? Is that accurate?

11 MR. GATES: That is my understanding.

12 MR. MC FADDEN: I just wanted to clarify where  
13 the line is.

14 MR. GATES: But in terms of the specific legal  
15 ties or lines there it would probably be worthwhile to  
16 ask somebody from our Office of Logistics.

17 MR. MC FADDEN: Okay. Thank you.

18 CHAIRMAN TOWER: Is there anything further?

19 (No response.)

20 CHAIRMAN TOWER: Bob, there are a couple of  
21 questions that I would like to ask that bear on something  
22 you said earlier that I would like to do with only you  
23 and the three of us in the room, if I may, and excuse  
24 everyone else.

25 (A discussion was held off the record.)

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1 CHAIRMAN TOWER: Ed, did you have a question?

2 SENATOR MUSKIE: Yes. You said that we  
3 recovered our costs, our costs being DOD's quotation.

4 MR. GATES: Yes, sir.

5 SENATOR MUSKIE: Now how was that price  
6 transmitted to Iran -- directly in some fashion to  
7 representatives of the Iranian government or through  
8 Ghorbanifar?

9 MR. GATES: My impression is that the price  
10 citations, that those contacts were with Ghorbanifar or  
11 with intermediaries and not directly to the government of  
12 Iran, so Ghorbanifar or some of these guys would have  
13 been in a position to considerably increase the costs if  
14 they wished.

15 CHAIRMAN TOWER: But in fact Ghorbanifar was  
16 our link, so he would be the natural one.

17 MR. GATES: Yes. My suspicion would be most of  
18 that information, at least up through late summer of '86,  
19 was conveyed through Ghorbanifar, but that could easily  
20 be confirmed.

21 SENATOR MUSKIE: I think we have been given  
22 evidence to the effect that the Iranians complained they  
23 were being overcharged. Did any figure ever come out of  
24 them in that respect? Do we know?

25 MR. GATES: I'm sure that there was some of

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1 that in the special materials that we've talked about.  
2 There was a reference in late June and July that the  
3 officials in Tehran were complaining to Ghorbanifar about  
4 the price charged for the HAWKs, the HAWK spare parts.  
5 Tehran was complaining it had been charged six times the  
6 going rate.

7 For what it's worth, the details of this  
8 running argument were well known to the key CIA officials  
9 involved, but they assumed the problem resulted either  
10 from middleman fees or were part of other arms deals  
11 Ghorbanifar had arranged on the side.

12 SENATOR MUSKIE: But if it had been six times  
13 the DOD's quotation, it would have been considerably more  
14 than the normal middleman's fee.

15 MR. GATES: Yes.

16 SENATOR MUSKIE: So we really don't know what  
17 quotation, how the quotation to the Iranians compared  
18 with DOD's figures.

19 MR. GATES: It's possible that through a close  
20 reading of the special materials that Charlie Allen may  
21 know that in a couple of cases. I don't know, but it may  
22 be worth pursuing if you haven't talked to him yet, or  
23 going back to him if you already have.

24 He probably had a better grasp of what was in  
25 those materials than just about anybody.

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1 MR. DAWSON: Was Charlie actually in charge of  
2 the CIA end of this, or was it Dewey Clarridge?

3 MR. GATES: Actually Dewey played little or no  
4 role after November. He was basically out of the picture.

5 CHAIRMAN TOWER: After November '85?

6 MR. GATES: Yes. It fell primarily to the  
7 chief of our NE Division, our Near East Division, first  
8 [ ] then Tom Twetten, to kind of oversee the thing  
9 overall.

10 MR. DAWSON: But who was the guy, if you could  
11 put it all together the way the Agency operates, who was  
12 the guy you would have looked to at various stages? I  
13 guess you have told me first Dewey Clarridge up until  
14 November '85, and thereafter [ ] then Twetten?

15 MR. GATES: Well, there are kind of three  
16 phases. The first part, up until late November, when  
17 arrangements began to be made for this charter flight,  
18 and then for the El Al flight that got aborted, and then  
19 the use of the proprietary, until that time it was  
20 essentially an intelligence collection problem, and Allen  
21 was working that primarily within NSA. So Allen was  
22 really the key guy involved during that period.

23 When they needed operational support, first to  
24 try to get flight clearances, landing clearances in  
25 [ ] for this El Al flight that was supposed to have

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1 gone on the 21st of November, that telephone call came to  
2 Dewey Clarridge from North, is my understanding. All  
3 through that period until that plane -- through the sort  
4 of 25th or 24th, that was Dewey.

5 But then my impression is that subsequent to  
6 that it fell into the Near East Division and was managed  
7 first by [ ] and then by Tom Twetten as the  
8 principal figure in terms of having his fingers on what  
9 was going on.

10 MR. DAWSON: It stayed there until --

11 MR. GATES: Until the end.

12 MR. DAWSON: Thank you.

13 CHAIRMAN TOWER: Is there anything more?

14 (No response.)

15 CHAIRMAN TOWER: I wonder if the members could  
16 remain behind for a moment so that we could do a little  
17 administrative business.

18 (Whereupon, at 4:44 p.m., the interview  
19 concluded.)

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IRAN

Wednesday, December 10, 1986

U.S. House of Representatives,  
Permanent Select Committee on Intelligence,  
Washington, D. C.

The Committee, met, pursuant to call, at 1:35 p.m.,  
in Room H-405, the Capitol, the Honorable Lee H. Hamilton  
(Chairman of the Committee) presiding.

Present: Representatives Hamilton (presiding), Stokes,  
McCurdy, Beilenson, Kastenmeier, Daniel, Roe, Brown, McHugh,  
Dwyer, Stump, Ireland, Cheney, Livingston and McEwen.

Staff Present: Thomas K. Latimer, Staff Director;  
Michael J. O'Neil, Chief Counsel; Thomas R. Smeeton, Associate  
Counsel; Jeanne M. McNally, Clerk; Martin C. Faga, Duane P.  
Andrews, Richard H. Giza and Diane S. Dornan, Professional  
Staff Members.

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19 The Chairman. The Committee will come to order again.  
 20 The Committee's next witness is Robert Gates, the Deputy  
 21 Director of Central Intelligence. Mr. Gates became  
 22 the Deputy Director on April 18, 1986. Thus he was not  
 23 directly involved in the Iran operation at a management  
 24 level prior to this time.  
 25 It was to Mr. Gates that lower ranking CIA officials

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1 first suggested the possible diversion of proceeds from  
2 the sale of arms to Iran.

3 Mr. Gates has been very forthcoming in speaking with  
4 the staff and we appreciate his appearance today to provide  
5 his insight into this matter.

6 As we have for previous witnesses, the Committee will  
7 receive Mr. Gates' testimony under oath.

8 Mr. Gates, would you stand and raise your right  
9 hand. Do you swear or affirm that the testimony you are  
10 about to give the Committee is the truth, the whole truth  
11 and nothing but the truth.

12 Mr. Gates. Yes, sir.

13 The Chairman. You are now sworn. We look forward to  
14 your statement and you may proceed.

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STATEMENT OF ROBERT M. GATES, DEPUTY DIRECTOR  
OF CENTRAL INTELLIGENCE

Mr. Gates. Mr. Chairman, I thought what would probably be most productive is for me to describe the events associated with this matter in which I had personal involvement, and then obviously would be happy to take whatever questions the Committee has.

The first time I recall becoming aware that there was a relationship or an ongoing activity with the Iranians was on the 5th of December, 1985, when then DDCI John McMahon convened a meeting in his office that included myself, Robert <sup>Latham</sup> ~~Latham~~, Director of the DDI's Office of Near East and South Asian Analysis; the Associate Deputy Director for Operations, Ed Juchniewicz; the Chief of the Near East Division, [REDACTED] and the Deputy Chief of the European Division, [REDACTED]

John began the meeting with a series of substantive questions, at least based on notes reconstructed by his special assistant who attended the meeting and frankly my memory of what went on in that meeting is based on her notes.

One of the issues John had wanted explored was whether there were in fact Soviet BEAR bombers or reconnaissance aircraft that had been overflying either Iran or the Iran-Iraq border, and whether the Iranians were seeking HAWK

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1 spare parts in order to destroy those BEAR bombers.

2 He asked other questions, including information on  
3 Iranian tank strength, he asked for a biography according  
4 to these notes of the [REDACTED] and  
5 several other such questions. For what it is worth, we  
6 later determined that there had been no such flights by  
7 BEARS.

8 He then turned to a discussion with the operational  
9 people present and in the course of that discussion  
10 according to these notes, he was given a report on the plane  
11 that had flown the weekend of the 23rd and 24th or the 25th,  
12 but in any event that first plane that had gone at the end  
13 of November. There was uncertainty expressed according  
14 to these notes whether there were arms on board and what kind  
15 of arms. He was told that there were more planes going,  
16 that there would be more flights, and he was also told  
17 according to these notes that the Finding had been signed  
18 and that basically was the end of the meeting.

19 We went off, we had answered some of his substantive  
20 questions during the meeting, and answers were prepared  
21 or found for the remainder.

22 I assume in retrospect that these questions were  
23 in order for John to prepare himself for the meeting  
24 that he had with the President and other members of the  
25 National Security Council on December 7th. It was at that

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1 meeting that I am told that John objected to the proposed  
2 undertaking with Iran.

3 The next phase of my participation began after the  
4 Finding was signed, on the 25th or 24th of January, in a  
5 meeting again in Mr. McMahon's office that included  
6 Lt. Colonel North, and several other officials from the  
7 Agency. At that meeting, the requirement was placed  
8 on us to prepare some intelligence materials that could  
9 be used in the contacts with Iran, prepare intelligence  
10 materials on Iraqi order of battle along the border.

11 I objected to the preparation of such materials. While  
12 I was sympathetic in principle with the idea of preparing,  
13 of trying to establish a strategic dialogue with the Iranians  
14 and saw a great merit in that, I felt that particularly  
15 earlier this year that the situation was so fragile on the  
16 border that it would be a mistake to provide intelligence  
17 information to the Iranians. In fact it was not until late  
18 this summer that our concerns of the possibility of a  
19 major Iranian breakthrough had eased somewhat.

20 In any event, we were directed to go ahead and prepare  
21 the materials. The one thing I was able to succeed in doing  
22 was to have the first packet of materials prepared on  
23 a segment of the border that was ~~(well aware -)~~ well away  
24 from the main battle area in the south. This was an area  
25 to the north and we can provide those materials, in fact

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copies of those materials, maps that were prepared, to the Committee.

(The information referred to follows:)

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1 Mr. Gates. I also tried to make the information as  
2 general as possible, and there was a little "to-ing and  
3 fro-ing" of just what would be included in these maps,  
4 but they were basically locations of division  
5 headquarters and other principal military installations.

6 It is perhaps worth noting that the next day on the --  
7 the meeting in which this request was first made was  
8 the 24th, there was then a meeting with North, with North  
9 and company taking place on the 25th and it was at that time  
10 that we presumably showed the materials to North and got  
11 his comments on them.

12 On the 26th --

13 Mr. Daniel. Mr. Chairman -- are you talking about 1985  
14 or 1986?

15 Mr. Gates. 1986, sir.

16 Mr. Daniel. I understand you to have said December  
17 1985 at the beginning.

18 Mr. Gates. That is correct.

19 Mr. Daniel. Thank you, Mr. Chairman.

20 Mr. Fates. On the 26th it is worth noting that  
21 DDCI McMahon sent a cable to the Director in which he  
22 noted the opposition of a number of senior Agency officials  
23 to providing these materials to the Iranians, but said  
24 "In spite of our counsel to the contrary, we are proceeding  
25 to follow orders as authorized in the Finding."

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The second tranche of materials was prepared and provided on the 19th of February. It was for a segment of the border south of the first package, again we can provide a copy of that.

(The information referred to follows:)

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1 Mr. Gates. The third package of materials was the  
2 only one in the whole undertaking that I enthusiastically  
3 supported and that was the preparation of materials on  
4 Soviet forces in Afghanistan and ~~our~~ <sup>armed</sup> ~~raid~~ against Iran.  
5 It seemed to me that the more we could warn the Iranians  
6 of the nature of Soviet threat to them, the greater the  
7 opportunity for some kind of useful dialogue on a strategic  
8 basis.

9 Those materials were prepared as I recall during the  
10 spring -- during the period February and March, but in any  
11 event were not used until the meeting in Tehran in May.  
12 That was the last package that I had anything specifically  
13 to do with as DDI. There was a fourth package of  
14 materials prepared on both the Iraqi forces behind the  
15 front lines as well as some Soviet materials that was  
16 given or shared with the Iranians on the 19th of September.

17 The only other thing that I might mention during this  
18 period worth noting was that I recall seeing -- and I  
19 quite honestly cannot place the exact time but it must have  
20 been in early February -- a scenario that had been  
21 prepared and I believe worked out jointly by the NSC staff  
22 people involved, presumably Lt. Colonel North, and the  
23 Iranian intermediaries.

24 There was a scenario of exactly the steps that were  
25 to be taken in this enterprise. It laid out the dates,

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1 proposed dates of the first of the series of weapons  
2 transfers, when talks would take place in Tehran, when  
3 certain actions with respect to the hostages would take  
4 place and so forth.

5 The only specific date that I recall because it caught  
6 my attention at the time and will give you some flavor for  
7 the scenario was that as I recall on the 11th of February  
8 it was annotated that the Ayatollah would step down.

9 The third phase of my involvement and perhaps the most  
10 direct in the entire undertaking began on the First of  
11 October when our national intelligence officer for  
12 counterterrorism, Charlie Allen, came to me and described  
13 how the NSC was in the process of changing channels to  
14 the Iranian government, that it was abandoning the  
15 channel that it had been ~~(working on)~~ working with for some  
16 time and was now going to turn to a channel involving

17 [REDACTED] He said that in the course  
18 of changing channels ~~(that)~~ there was a good deal of unhappiness  
19 on the part of the people involved in the first channel,  
20 that they had not gotten all their money and there were  
21 a lot of loose ends left hanging and a lot of unhappiness  
22 and there were perhaps investors or others that were  
23 unhappy.

24 And he was particularly concerned about the compromise  
25 of the operational security of the entire undertaking

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1 with Iran.

2 It was only towards the end of our conversation  
3 that he then added his speculation -- and he said that he  
4 had no hard evidence, he had no facts, but his reading  
5 [REDACTED] was such that there was so much talk of  
6 cheating and of overcharging and various other things  
7 that he suspected there might be some financial  
8 shenanigans going on and he speculated that these might  
9 involve some funds going to Central America, to the contras.

10 But he stressed that he didn't have any evidence  
11 or any facts. That was a speculation on his part.

12 I found even his speculation troublesome and told  
13 him that we should bring that information to the Director.  
14 For whatever set of reasons it was several days before we  
15 got in to see the Director on this, and on the 7th of October  
16 Mr. Allen presented all this information to the Director.

17 Again, the primary focus and his primary concern was  
18 on the operational security of the undertaking. That is  
19 where he felt he had more to go on and was more worried.

20 When the Director heard this information he  
21 directed Mr. Allen to put all this down on paper. And he  
22 did so.

23 Now, independent of this -- and I don't know the specific  
24 time of day -- but on the same day, the 7th of October --  
25 and this I only know indirectly -- the Director received

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1 a telephone call or had received a phone call from a  
2 Mr. Roy Furmark who represented himself as the New York  
3 representative of Kashoggi, and whom the Director had  
4 known some years before. Furmark had said he had -- said  
5 he knew something about this operation or had some  
6 information he wanted to impart to the Director. Frankly  
7 I don't recall but we can confirm for the record whether  
8 it was on a telephone call or whether Furmark came down  
9 on the 7th and talked to the Director.

10 In any event he said that Kashoggi was involved with  
11 a group of Canadian investors who had advanced some money  
12 to the intermediary for this operation, and that they had not  
13 gotten their money, that they were very unhappy, that  
14 they were thinking about going to talk to some  
15 U.S. Senators and perhaps launching some lawsuits. Again  
16 the primary thrust of the conversation was in the context  
17 of operational security.

18 So that, combined with Allen's information, was a  
19 source of concern to the Director.

20 According to his records, he called Admiral Poindexter  
21 that same day and conveyed to him these concerns about the  
22 operational security of the enterprise. I believe that he  
23 also told the Admiral that he should have the White House  
24 counsel look over the whole undertaking.

25 On the 9th of October, the Director and I had lunch

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1 with Lt. Colonel North. North had just returned from  
2 talks with the Iranians in Frankfurt and wanted to come out  
3 and debrief us on the course of those talks. In the  
4 course of that conversation we talked about the unhappiness  
5 of Gorbhanifar, the Iranian intermediary, about the  
6 money problems that the first channel was having and again  
7 about the operational security of the entire affair.

8 North made a reference which neither the Director  
9 nor I understood or followed up on about Swiss bank accounts  
10 and contras, and that is about all we can recall.

11 But in the context of everything else we had been hearing,  
12 as well as the fact that we were right then in the middle  
13 of the Hasenfus business, him having been produced by the  
14 Nicaraguans, I think it was that day, we specifically asked  
15 North in a very direct way based on your knowledge of the  
16 private funding efforts for the contras, is there any  
17 element of CIA, any CIA asset, proprietary or staffer or any  
18 other kind of asset, directly or indirectly involved in this  
19 effort with respect to the contras, this funding effort  
20 or support for the contras.

21 He very specifically said that he had worked very  
22 hard to keep them separate and that CIA was completely  
23 clean.

24 Because of the Hasenfus business and our concerns on,  
25 our growing concerns in this other area, I made a brief

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1 memorandum of conversation of that statement of Mr. North's  
2 immediately after the lunch. And the Committee I think has  
3 that document.

4 We received Charlie Allen's memorandum laying out all  
5 of his concerns on the 14th of October. That memorandum  
6 focused again almost exclusively on the operational security  
7 being at risk, that the whole Iranian activity was going  
8 to be exposed.

9 At one point, however, in talking about the unhappiness  
10 of Gorbhanifar and some of these other investors, some  
11 of the others involved, particularly in the first channel,  
12 Allen said in his memorandum that if Gorbhanifar decided  
13 to go public, he could make a number of allegations, or he  
14 would conceivably make a number of statements about the  
15 U.S. involvement in the Iranian affair, statements about  
16 U.S. officials, and as I recall the fourth and final  
17 particular in the memorandum of things that Gorbhanifar  
18 might say was that some of the money collected from the  
19 Iranians might have been diverted to other U.S. projects;  
20 Allen's memorandum did not specify the contras.

21 We tried to see Poindexter that day and couldn't get  
22 in. We saw him the next afternoon at which time we handed  
23 this Allen's memorandum. We met in the Director's old  
24 EOB office. We had him read Allen's memorandum sitting there  
25 with us and I believe that the Director again stated that

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1 he thought that the White House counsel ought to be involved  
2 and ought to look over the whole thing.

3 Prior to that meeting I had called in our own  
4 general counsel, had briefed him on as much as I knew at  
5 that time about the entire undertaking and asked him to look  
6 it over and be able to assure me that whatever CIA  
7 was doing was in fact within the law, and he returned to me  
8 a couple of days later as I recall and said that he did  
9 not see any problems from our standpoint.

10 I was then [REDACTED] from the 17th to the 30th  
11 of October and when I returned, I believe at our first  
12 meeting with Admiral Poindexter after my return on the  
13 6th of November, the Director once again in my presence this  
14 time urged Poindexter to involve the White House  
15 counsel.

16 The last part of my involvement was that we had been  
17 pushing for some time for the White House to develop a  
18 full statement on the Iranian affair and our recommendation  
19 was that this statement be made public, that the operational  
20 risks were such that it was basically time to stop and go  
21 public with the whole thing and describe what all had been  
22 involved.

23 And to that end, I drafted a brief skeleton of a  
24 statement that the President might use and that was sent  
25 down to the White House on the 10th of November.

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1 The only other thing I might mention in connection  
2 with the role that I played at the outset of this affair  
3 as DDI, is something about the finished intelligence, the  
4 analysis that may have influenced or informed this  
5 activity. The national intelligence officer for the Middle  
6 East, Mr. Graham Fuller, on the 17th of May 1985 had drafted  
7 a memorandum in which he, an informal memorandum to the  
8 Director and to me as then Chairman of the National  
9 Intelligence Council, in which he laid out his concerns about  
10 the paralysis in the U.S. relationship with Iran and the  
11 worry that the Soviet Union by being much more flexible  
12 might well be in a position to improve its position in Iran  
13 at the expense of the United States, frozen in hostility.

14 He laid out a number of measures in that memorandum  
15 that might be considered to try and alter that situation.  
16 One of the measures was to strengthen -- an antagonistic  
17 one in effect, to strengthen Pakistan and other friendly  
18 neighbors in the region; another was to try and get  
19 West European countries to try and take a more active  
20 role in Iran. The only military gesture that he put in  
21 the memorandum was that the United States might consider  
22 withdrawing U.S. Naval forces from the Persian Gulf as just  
23 a gesture. That was the only gesture the Iranians  
24 or friendly gesture if you will, that was recommended or put  
25 forward in the memo.

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1 His recommendation ended up being that the course  
2 we ought to follow was to use the West Europeans as inter-  
3 mediaries and let the West Europeans try to improve the  
4 relationship of the West with the Iranian government.

5 Two weeks later there was a [National --] special  
6 National Intelligence Estimate on Iranian instability  
7 and the two principal key judgments in that estimate  
8 were first that it seemed to us there was a chance of real  
9 instability in Iran before Khomeini's death; and second,  
10 that it looked like we were on the verge of some  
11 significant improvement in Soviet-Iranian relations.

12 I have no idea what influence either of those documents  
13 had on the people on the NSC staff or the President or the  
14 assistant to the President or anybody else. But they are  
15 two documents that in terms of the timing may have had some  
16 role. There was throughout the period of the entire  
17 enterprise a continuing flow of finished intelligence in the  
18 President's Daily Brief, the National Intelligence Daily  
19 and in terms -- in informal memoranda and finished  
20 intelligence monographs on Iran, on internal politics, on  
21 the economic situation and so on as well as on the war.

22 I don't know what role any of that materials played  
23 in the judgments that were made by any of the people involved.  
24 It was material that was made available. I am not aware  
25 of at this point of any tasking of our analysts on the

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1 political aspects of what was going on in Iran that was  
2 associated with this enterprise.

3 There was during the fall -- I can get you the specific  
4 dates if you wish -- there were a series of memoranda  
5 prepared by our group of people in the Office of Global  
6 Issues that follow the international arms market,  
7 Charlie Allen requested on several occasions papers on  
8 Israeli arms activities in connection with Iran and we  
9 have copies of those that we could make available.

10 But those were specifically tasked by Allen and I  
11 presume in connection with the project. Perhaps to see what  
12 we were picking up from other intelligence about what  
13 was going on.

14 Finally, in February of 1986 there was another  
15 special national estimate on instability in Iran and the  
16 fact is that estimate in a couple of ways significantly  
17 revised the judgments of the estimate the preceding May.  
18 I think that the best way to characterize it is that that  
19 estimate was significantly less alarmist than the one had  
20 been in May of 1985.

21 The Soviet and Iranians had seemed to be on the  
22 threshold of a number of cooperative ventures, few if any  
23 of which had actually panned out. And the regime seemed,  
24 proved more durable in enduring some, in going through  
25 some of the internal difficulties than had originally been

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1 forecast.

2 And that basically is the picture in terms of the  
3 finished intelligence associated with the project.

4 Mr. Chairman, that completes my opening remarks.

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1 The Chairman. Thank you, Mr. Gates. We will proceed  
2 under the five-minute rule.

3 When did you first suspect that the United States  
4 was selling arms to Iran?

5 Mr. Gates. I think that the first indication that I  
6 had apart from the very brief discussion on December 5th,  
7 was probably in January when -- and perhaps in late  
8 January, when the full scope of the plan was outlined in  
9 connection with the intelligence materials that we were  
10 being provided. That is the first that I recall of it.

11 The Chairman. That is January of 1986?

12 Mr. Gates. January 1986, yes.

13 The Chairman. When the Finding was issued.

14 Mr. Gates. Yes, sir.

15 The Chairman. The Finding was issued January 17th.  
16 You really did not know prior to that time that arms sales  
17 had been made by the United States to Iran?

18 Mr. Gates. As best I can reconstruct, that is correct.

19 The Chairman. When did you first suspect that a  
20 diversion of funds was occurring to the contras and when  
21 did you first know it?

22 Mr. Gates. We knew obviously throughout the years  
23 that the contras were getting considerable money and just  
24 by virtue of what they were doing. It was clear that  
25 they were getting outside funding. There was a good deal of

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1 speculation about possible sources for this money. I recall  
2 hearing rumors and I cannot even recall who I heard them  
3 from, but that Taiwan, South Korea, Saudi Arabia, and  
4 eventually Iran might all be involved. But there was no --  
5 we had no specific information. The first time that I heard  
6 anything that I thought deserved any credence was when  
7 Allen came to me on the First of October. I did not know  
8 it until the Attorney General's statement on the 25th  
9 and it struck all of us at the time. All we had at the time  
10 that the Director came up here on the 21st of November was  
11 Allen's speculation, and on the 22nd of October Roy Furmark,  
12 this representative of Kashoggi in New York, had told  
13 Charlie Allen who was up there debriefing him, that he  
14 thought some of the money -- that Gorbhanifar believed that  
15 some of the money had been earmarked for Central America.

16 No proof. No evidence. Speculation of a brief by  
17 a man that everybody believed to be a liar. So we had  
18 by hearsay and it was on that basis, so we went ahead and  
19 forwarded that information to Poindexter. The fact is we  
20 didn't have very much. We had no evidence. We had no  
21 indication, not even speculation, that the Agency was  
22 involved.

23 As I recall it at that time, we didn't even have any  
24 evidence or speculation that the NSC was involved. We just  
25 had some speculation that some of the Iranian money was

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1 somehow getting to the contras. So that the first reaction  
2 of some of us on the 25th was that clearly the Attorney  
3 General had found something much more specific and much  
4 more detailed than anything we had ever seen.

5 The Chairman. The 25th is what date now?

6 Mr. Gates. November 25th when the Attorney General  
7 announced that there had apparently been a diversion.

8 The Chairman. Does the Director's personal knowledge  
9 of the sale of the arms and his personal knowledge of the  
10 diversion correspond, do you think, roughly to your own?

11 Mr. Gates. I think his knowledge of the sale of the  
12 arms, of the enterprise, pre-dates mine. To the best of  
13 my knowledge his knowledge of the diversion, his information  
14 on the diversion is the same.

15 The Chairman. When you had that lunch with Colonel  
16 North, in October of 1986 --

17 Mr. Gates. Yes, sir.

18 The Chairman. -- he did tell you at that time of the  
19 diversion?

20 Mr. Gates. He didn't --

21 The Chairman. I didn't understand your testimony  
22 there.

23 Mr. Gates. Part of the problem is we didn't understand  
24 what he said. He had been talking about Gorbhanifar and  
25 these financiers and he spoke of a Swiss bank account and

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1 than something about the contras. We didn't pick up on it  
2 at the time. It was only after the meeting, after the  
3 lunch that I went back in to the Director and said could  
4 you make any heads or tails of what in the hell he was  
5 talking about on that particular issue?

6 And he said that he -- he didn't understand what he was  
7 talking about nor did I.

8 The Chairman. Now, the CIA -- my time is up.

9 Mr. Ireland.

10 Mr. Ireland. Let me just ask quickly, when you talked  
11 about meeting with, the first meeting with Allen and he said  
12 that he was concerned about the operational security --

13 Mr. Gates. Yes, sir.

14 Mr. Ireland. -- you didn't say what made him -- what  
15 brought about his concern? What was the source of his  
16 concern about the operational security?

17 Mr. Gates. His concern was based on an analytical  
18 judgment that as best I can tell from talking to him,  
19 derived from his reading [REDACTED] and the talk  
20 about a group, among a group of people that there had been  
21 cheating and overcharges and unhappiness about people not  
22 getting their money and as he watched this develop -- and  
23 I don't know over what time frame -- I think he drew the  
24 judgment from that that you had a group of people  
25 involved in this thing that were increasingly unhappy and

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1 that there may be a good chance that there might be a  
2 good chance that they would go public.

3 Mr. Ireland. Did he say there were references besides  
4 that, references to funds going elsewhere in that?

5 Mr. Gates. No, sir, he didn't.

6 Mr. Ireland. [REDACTED]

7 Mr. Gates. No, sir. Not in what he described to me.

8 Mr. Ireland. And then on two occasions when you and  
9 the Director met with Admiral Poindexter, if I recall it  
10 right you said the Director urged Admiral Poindexter to  
11 consult the White House counsel.

12 Mr. Gates. Yes, sir.

13 Mr. Ireland. And was there any follow-up on that  
14 at that time or did he -- did the Admiral say, no, I am not  
15 going to do that; in other words did you follow up to find  
16 out or did the Director find out whether that was actually  
17 done or not?

18 Mr. Gates. My impression from the Director's  
19 reconstruction was that on the first occasion the Admiral  
20 said basically that he didn't -- the operation was still  
21 ongoing and he didn't want to do that quite yet. Now, I  
22 recall and I believe the date was November 6th which would  
23 have been the second or even perhaps the third time the  
24 Director had mentioned this to Poindexter, that when the  
25 Director raised it again the Admiral was very explicit in

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1 saying I don't trust Wallace to keep his mouth shut. I will  
2 rely on Paul Thompson who was his military assistant and  
3 according to my understanding, is also a lawyer.

4 Mr. Ireland. One last question. When those meetings  
5 in which that was urged, who was at those meetings, you  
6 and the Director and the Admiral? Any other officials  
7 from the White House?

8 Mr. Gates. At the meeting on the 15th, in the  
9 Director's FOB office it was only the three of us. In  
10 the meeting on the 6th, I don't recall, it may also have  
11 been just the three of us. His deputy might have been  
12 there, but I don't recall.

13 Mr. Ireland. But no other members of the White House?

14 Mr. Gates. No, sir.

15 Mr. Ireland. Of the staff over there?

16 Mr. Gates. No.

17 Mr. Ireland. Thank you.

18 The Chairman. Mr. Stokes.

19 Mr. Stokes. Thank you, Mr. Chairman.

20 Mr. Gates, the first meeting to which you referred  
21 in your opening remarks with you and other individuals, what  
22 was the date of that meeting?

23 Mr. Gates. The 5th of December, 1985.

24 Mr. Stokes. Are you familiar with a memorandum dictated  
25 by John McMahon dated 7 December 1985?

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1 Mr. Gates. Yes, sir.

2 Mr. Stokes. You are.

3 Let me refer to paragraph 3 of that memorandum.

4 I just want to read from the memorandum.

5 It says somewhat distressed at this turn of events  
6 I immediately informed our general counsel after confirming  
7 with Dewey Clarridge our involvement. I instructed the  
8 CPN personnel to go over and brief general counsel and  
9 so advise the general counsel at 5:15 the evening of the  
10 25 November. He informed me later that night that a  
11 Finding would be required, not so much from the airlift  
12 standpoint but from our involvement in influencing foreign  
13 government officials to assist the mission. The Finding  
14 was prepared the next day. The Finding was cleared with  
15 the Director who called McFarlane and Don Regan to ascertain  
16 that indeed this had Presidential approval and to get  
17 assurances that a Finding would be so signed.

18 After repeated calls to NSC personnel on 27 November  
19 during the week of 2 December continuously receiving  
20 reassurances of the President's intent to sign the Finding,  
21 we were notified on 5 December that indeed the Finding  
22 was signed. The President directed us not to inform Congress  
23 for the reasons of the safety and secure release of the  
24 hostages until he so directed.

25 Now, when did you become familiar with this

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1 memorandum?

2 Mr. Gates. Just within the last couple of weeks as  
3 we have been compiling documents.

4 Mr. Stokes. At the time you had the meeting to which  
5 we have already referred, was any reference made at that  
6 time to a Finding?

7 Mr. Gates. Yes, sir, the Deputy Chief, according  
8 to the notes taken by McMahon's assistant, he was told and  
9 I assume it was in my presence by the Deputy Chief of the  
10 European Division, [REDACTED] that the Finding had  
11 been signed.

12 Mr. Stokes. Now, to your knowledge have you ever seen  
13 that Finding?

14 Mr. Gates. No, sir.

15 Mr. Stokes. Do you know today where the Finding is?

16 Mr. Gates. My impression -- I don't know of any such  
17 Finding other than these references to the preparation. The  
18 only thing that I recall hearing about this Finding beyond  
19 this meeting was that, and I cannot pinpoint the date,  
20 but that later in December I seem to recall that the  
21 Finding had been forwarded with a passage in it that in  
22 effect covered events that had already transpired, that  
23 provided authorization for events that had already  
24 transpired, that is the flight that had gone in late  
25 November, and my memory -- and it could be faulty -- but my

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1 memory was that I heard at the time that the White House  
2 lawyers had said that that Finding couldn't be signed, that  
3 it was too broad protection, that it retroactively, that  
4 that retroactive protection just wasn't possible.  
5 That is the only thing I heard.

6 " I might mention on this Finding business, the Agency  
7 did not even have a copy of the January 17th Finding until  
8 well into October of 1986. It was at the luncheon with  
9 North that I insisted that we get a copy of the Finding  
10 and I told the Director, I said maybe I am being ridiculous  
11 and maybe I have read one too many spy novels, but if there  
12 is one copy of a Finding that exists in somebody's safe  
13 and it disappears, there are going to be a lot of people  
14 in trouble.

15 So we insisted that we get a copy of the Finding,  
16 North said he would help do that, and he did in fact get a  
17 copy from Poindexter within a few days or a week or so of  
18 that.

19 Mr. Stokes. Then at that time having the concerns you  
20 had, who in your opinion was authorizing the type of actions  
21 you were talking about?

22 Mr. Gates. My understanding retrospectively, and I  
23 didn't know of any Agency operations other than the flight  
24 discussed at the meetings on the 5th, this flight of late  
25 November, I didn't know of any other Agency operations under

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1 way and my understanding, even at this point, is that between  
2 that flight in late November and the signing of the Finding,  
3 that there were no other Agency operational activities going  
4 on.

5 Mr. Stokes. My time has expired. Thank you,  
6 Mr. Chairman.

7 The Chairman. Mr. Cheney.

8 Mr. Cheney. Thank you, Mr. Chairman.

9 Mr. Gates, I am curious about the extent to which  
10 the practices that were pursued here are common, ordinary  
11 kinds of practices or whether there was a truly unique set  
12 of circumstances. It seems to me we have an interest as  
13 a committee obviously into looking into specifically  
14 the Iranian transaction and why Congress wasn't  
15 notified and whether or not the President was within his  
16 prerogatives not to notify us that the funds went to the  
17 contras.

18 As a committee, we do have an interest in the  
19 interaction between the CIA and the Congress. But I am  
20 curious, do you have any knowledge at any other time when  
21 we would have received the kind of markup on weapons sales  
22 that we did in this case with respect to Iran. Is that a  
23 common way to generate cash?

24 Mr. Gates. I don't know of any other instance in  
25 which that has happened.

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1 Mr. Cheney. This is the only time we have ever sold  
2 to your knowledge, ever sold weapons to another country  
3 and taken in more than what we actually thought these  
4 cost?

5 Mr. Gates. It is the only one I know about. But  
6 I have to admit that I have not been involved with that  
7 end of the business very long.

8 Mr. Cheney. Would there be another place within the  
9 Agency where we might best direct that question?

10 Mr. Gates. I would think that the office within the  
11 Directorate of Operations that interacts with the Department  
12 of Defense would probably be the right place to. They  
13 would have the historical memory.

14 Mr. Cheney. Aside from the fact that the President's  
15 Finding was not made immediately available to the Agency,  
16 was the transaction handled in a normal kind of fashion,  
17 was the Iranian part of it, the acquisition of weapons  
18 from DoD, was normal procedure followed in providing those  
19 weapons to the Iranians?

20 Mr. Gates. To the best of my knowledge and again,  
21 I am -- I have to betray a little bit my lack of familiarity  
22 with the historical aspects of the operational world.  
23 I don't know of any other instance, for example, since  
24 the signing of the -- since the passage of the Oversight  
25 Act in 1980, where the kinds of, the overall kind of

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1 first lack of prior notification, second the lack of  
2 involvement in a major operation of the analytical side  
3 in terms of being able to provide some judgments, or where  
4 these procedures of the kind that you are describing were  
5 followed, but that is based on my own knowledge. We  
6 have -- one of the things that I think has represented a  
7 significant step forward in the last several years is that  
8 we have instituted procedures in the Agency, beginning  
9 when I became DDI, where no Finding would be sent to the  
10 Director without a comment or a judgment by the Directorate  
11 of Intelligence on the various pros and cons and risks  
12 involved in the activity.

13 This is the only Finding that I am aware of in this  
14 Administration where that has happened. So to the best of  
15 my knowledge, the whole thing was a fairly unique under-  
16 taking. But in terms of the specific operational transac-  
17 tions I really cannot answer the question. I don't know.

18 Mr. Cheney. But we could obtain that information  
19 presumably from someone within the Agency who wasn't  
20 involved in the Iranian transaction.

21 Mr. Gates. Yes, sir.

22 Mr. Cheney. Was it common practice for you or the  
23 Director to deal with Colonel North. Was he somebody you  
24 interacted with on a regular basis?

25 Mr. Gates. We had fairly frequent interactions with

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1 North. Mine were confined until this activity primarily  
2 through the crisis pre-planning group which is in effect  
3 an Under Secretary's group chaired by the Deputy Assistant  
4 to the President that was established in 1982 and included  
5 Mike Armacost, Rich Armitage, the three star assistant  
6 to the Chairman of the Joint Chiefs, and that core group  
7 would deal with planning for various crises or various  
8 problems, Lebanon, Grenada, Suriname, a whole range of  
9 issues.

10 North was basically the organizer of CCPG and served  
11 for the first two or three years of its existence, sort of  
12 as its executive secretary and it was in that context that  
13 most of my dealings with North took place.

14 Mr. Cheney. Was he involved in any other covert actions  
15 to your knowledge?

16 Mr. Gates. Well, I don't know the answer to that,  
17 except that I knew that he was deeply involved throughout  
18 in the NSC's handling of the Nicaraguan problem and it is  
19 my understanding that he was a member of the small group,  
20 small interagency group that worked on the Nicaraguan  
21 problem.

22 Mr. Cheney. Thank you, Mr. Chairman.

23 The Chairman. Mr. McCurdy.

24 Mr. McCurdy. Thank you, Mr. Chairman.

25 Mr. Gates, is it normal operation for a Lt. Colonel

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1 on the NSC to be able to task directly the CIA for  
2 specific actions? Either the gathering of the intelligence,  
3 direct analysis -- is that the normal chain of command?  
4 I am trying to figure out just what the normal flow would  
5 be.

6 Mr. Gates. Well, it basically depends -- the answer  
7 is it depends, and having spent a fair amount of time on  
8 the NSC staff myself, frankly I tend to be a little  
9 skeptical when an NSC staffer calls and asks for something,  
10 particularly if he asks in the name of the President or  
11 the assistant to the President.

12 Especially if it involves the large-scale reallocation  
13 of resources. So, for example, if I would get a call from  
14 an NSC staffer, and I was DDI, wanting me to set up a  
15 whole new unit to work on a problem, I would just basically  
16 tell him to go soak his head and if the assistant to the  
17 President wanted it, I would count on him to tell Mr. Casey  
18 or call me directly.

19 On the other hand, [REDACTED]  
20 [REDACTED] or  
21 asking for a specific paper on an issue or that sort of thing,  
22 we yes, we would take tasking from a member of the NSC under  
23 those circumstances.

24 Now, in this thing, my impression, particularly at the  
25 time the whole thing was going to be organized, and here I

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am just giving an impression, was that while he was doing a fair amount of tasking, there were a number of conversations and contacts with Admiral Poindexter that it was pretty clear it must have been pretty clear to the Director and t McMahon that in fact North was not operating on his own.

Mr. McCurdy. More as an agent.

Mr. Gates. Yes, sir.

Mr. McCurdy. Okay.

Mr. Gates. But that is an impression.

Mr. McCurdy. Right.

The statements coming from the analytical side of the meetings of October 9th and some other ones, or January 24th about documents and maps being supplied and meeting with McMahon, concerning the Iran-Iraq border, you expressed that you had, or stated you had some express misgivings about that. There is a memo or a wire cable sent from McMahon to Director Casey who was [REDACTED] at the time. I would like to read parts of this memo to you, or the cable to you.

McMahon says to the Director, a new dimension has been added to this program as a result of a meeting held in London between North and Gorbhanifar. "We have been asked to provide a map depicting the order of battle on the Iran-Iraq border showing units, troops, tanks, electronic

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1 installations, and what have you. The game plan is for a  
2 segment of the map depicting a part of the front to be  
3 passed to show our bona fides and that will start in  
4 train a series of events. When the movement of the missiles  
5 takes place the remainder of the map will be passed. That  
6 will prompt all the reciprocal action on the part of the  
7 Iranians. Timing is for the first segment of the map to  
8 be delivered here tomorrow, Saturday, 25 January; then  
9 on the 9th of February a thousand TOWs with the remainder  
10 of the map as the first tranche of a 4000 commitment."

11 Paragraph 2, "We are to get the TOWs from the U.S.  
12 Army and arrange transport overseas."

13 Paragraph 3, "Everyone here at Headquarters advises  
14 against this operation, not only because we feel the  
15 principal involved is a liar and has a record of deceit  
16 but secondly, we would be aiding and abetting the wrong  
17 people. I met with Poindexter this afternoon to appeal his  
18 direction that we provide this intelligence, pointing out  
19 not only the fragility and ability of the principal to  
20 deliver, but also the fact we are tilting in a direction  
21 that could cause the Iranians to have a successful offense  
22 against the Iraqis with cataclysmic results. I noted that  
23 providing defensive missiles was one thing, but when we  
24 provide intelligence on the order of battle we are giving  
25 the Iranians the wherewithall for offensive action."

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1 That is a pretty strong memorandum or cable, isn't it?

2 Mr. Gates. Yes, sir.

3 Mr. McCurdy. Do you agree with the text of this?  
4 is it accurate to your knowledge?

5 Mr. Gates. To tell you the truth, I have not seen  
6 that cable. I have this one excerpt from it which I assume  
7 is from it, but I have not seen the full text.

8 Mr. McCurdy. From McMahon to Casey, Casey was in  
9 [REDACTED]

10 Mr. Gates. I am sure that in part the strength of  
11 his statements was based on the objections that I have  
12 stated to providing the intelligence.

13 Mr. McCurdy. Well, this is -- there are a number of  
14 questions that arise out of here, and I understand the  
15 light is on here, but first of all there is the significant  
16 question of the judgment of whether to pass this information  
17 and the type and quality of information; secondly, was it  
18 sanitized which we don't have any access to at this point;  
19 third, the reciprocity, it appears from this cable we are  
20 not talking about just probing contacts with so-called  
21 moderates, we are talking about direct exchange, hostage  
22 release or whatever.

23 I am assuming that within the context of the cable there.

24 I guess I will have to wait for the next five minutes  
25 to come around, but I think this memo needs to be placed

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1 in the record at this point, Mr. Chairman, and I think it  
2 is patently obvious that this is an incredible piece of  
3 paper and that I have to concur with the sentiments expressed  
4 in it and am somewhat amazed and dismayed even more  
5 so about this operation.

6 The Chairman. Without objection, the memorandum  
7 will be placed in the record.

8 (The information referred to follows:)

9 COMMITTEE INSERT

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1 The Chairman. Mr. McEwen.

2 Mr. McEwen. Thank you, Mr. Chairman.

3 Does the CIA in following shipments of arms around  
4 the world, Mr. Gates, track Mr. Kashoggi and Gorbhanifar  
5 and Secord's activities much?

6 Mr. Gates. I don't know if they -- well I know they  
7 don't track an American, a U.S. citizen. Whether they had  
8 previous tracks on either Kashoggi or Gorbhanifar I don't  
9 know. I can find out.

10 I know they do track arms deals and that there are --  
11 there is a fairly established group of international arms  
12 dealers that they watch pretty closely. I would have to  
13 check though on these two.

14 Mr. McEwen. In your judgment would General Secord  
15 be considered an international arms dealer?

16 Mr. Gates. I don't know enough about what General  
17 Secord does to comment. I just don't know. It sounds like  
18 from what I read in the newspaper that he sure is but --

19 Mr. McEwen. And do we have any information as to  
20 whether or not he has profited significantly from these  
21 transactions?

22 Mr. Gates. I don't think we know that.

23 Mr. McEwen. Thank you, Mr. Chairman.

24 The Chairman. Mr. Beilenson.

25 Mr. Beilenson. Thank you, sir.

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1 To your knowledge who in the White House was aware of  
2 this Iran operation?

3 Mr. Gates. The only people that I ever spoke to in  
4 the White House itself or heard speak about it was  
5 Admiral Poindexter.

6 Mr. Beilenson. He is the only one you have any  
7 knowledge of?

8 Mr. Gates. Yes, sir.

9 Mr. Beilenson. And was clearly --

10 Mr. Gates. Direct knowledge.

11 Mr. Beilenson. And our Chairman, Mr. Hamilton, asked  
12 you about whether Mr. Casey may have known or different  
13 things from you. As I recall your response was something  
14 to the effect that his knowledge about arms sales to Iran  
15 probably predated your own knowledge, but with respect to  
16 diversion of funds to the contras or other purposes he  
17 found out about that at the same time you did.

18 Mr. Gates. Yes, sir.

19 Mr. Beilenson. I take it he knew presumably about the  
20 arms sales, the whole general operation because he is on  
21 that NSC whatever, he is on that council, I guess as  
22 Director. So he must have known from the beginning that  
23 they were reaching out and involved in reaching out to  
24 Iran with some sales.

25 Mr. Gates. Yes, sir. I believe that his, as we have

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1 put together our chronology inside the Agency, our own  
2 factfinding effort, my recollection of it is that he --  
3 McFarlane raised this with him perhaps in September of 1985.

4 Mr. Beilenson. This is a difficult and perhaps unfair  
5 question and I am not quite sure how to put it and others  
6 may wish to follow up later, but obviously you work for  
7 Mr. Casey and I guess there are problems perhaps involved  
8 and when you relate to him or folks in your organization  
9 relate to him questions or concerns about this whole  
10 operation in a sense having been part of the operation  
11 from the beginning, he may not -- he has been partially  
12 co-opted in a sense, I am not sure that is the proper word.

13 But I guess I cannot ask you directly, whether you  
14 have any concerns about whether he -- if he were removed  
15 from that, if he were not part of the original decision-  
16 making process to go ahead and deal with Iran, he might  
17 have been more receptive or more strong perhaps in  
18 presenting your concerns to the White House, to Mr. Poindexter  
19 or whoever else.

20 You don't have to respond if you don't want to.

21 Mr. Gates. Well, just based on our reconstruction of  
22 the chronology, my memory of it is such that he was  
23 basically informed of these undertakings with Iran through  
24 Israel in the early fall of 1985.

25 Mr. Beilenson. Informed by whom?

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1 Mr. Gates. By McFarlane.

2 Mr. Beilenson. Okay.

3 Mr. Gates. I don't see any indication in the  
4 chronology that he participated in the decision-making  
5 meeting.

6 Mr. Beilenson. In other words -- once they decided  
7 to do it somebody else did it.

8 Mr. Gates. That this contact had already started and  
9 that he was informed about it. I think that the dates are  
10 in September.

11 Mr. Beilenson. You have no reason to believe, perhaps  
12 this may not be a fair question, that Mr. Casey knew  
13 about diversion of funds prior to the time that you did?

14 Mr. Gates. No, I don't. His reaction when Allen and  
15 I raised this with him on the 7th, his direction to Allen  
16 to put it all down on paper and the promptness with which  
17 he was prepared to deliver that paper to Poindexter as soon  
18 as we got it, suggests to me that he was disturbed by that  
19 possibility as well as the operational security.

20 Mr. Beilenson. That doesn't prove anything. If he had  
21 been involved that would be the normal thing he would do  
22 anyway. And I don't mean to suggest that but there have to  
23 be people higher than Mr. North and Admiral Poindexter  
24 who knew about this and were directing it.

25 I am just concerned about it. You said in the January

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1 24th meeting of this year, the CIA was asked to prepare  
2 intelligence information to be provided to the  
3 Iranians that you objected, but were directed eventually to  
4 go ahead anyway.

5 Mr. Gates. Yes, sir.

6 Mr. Beilenson. Who directed you to go ahead anyway?

7 Mr. Gates. John McMahon.

8 Mr. Beilenson. Directed you all?

9 Mr. Gates. To go forward.

10 Mr. Beilenson. You don't know why he did that, do  
11 we?

12 Mr. Gates. I assume based on the cable that Mr. McCurdy  
13 read, that he had, after making his views known to Admiral  
14 Poindexter, he was told to go ahead by Poindexter. But  
15 that is an assumption on my part.

16 Mr. Beilenson. You mentioned, and I forgot the date,  
17 I neglected to note it, that you had seen briefly that  
18 scenario which had among other things the stepping down  
19 date of the Ayatollah.

20 Mr. Gates. Yes, sir.

21 Mr. Beilenson. The whole series about transfers and  
22 arms sales and meetings and so on. The scenario was shown  
23 to you all by Colonel North, was it, or do you recall that?  
24 I am not sure what you told us.

25 Mr. Gates. I don't recall how I received it to tell

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1 you the truth. I remember sitting down and going over it  
2 with Clair George and it quickly was overtaken by  
3 events, for example, I think that in the cable that  
4 Mr. McCurdy just read he referenced a meeting on the 9th  
5 of February. Things began to slip almost immediately in  
6 that second meeting for the intelligence materials ended  
7 up on the 19th.

8 So the thing quickly became outdated. In fact to the  
9 best of my knowledge, not a single -- and here I am drawing  
10 on my recollection -- not a single entry in the scenario  
11 took place on the date that was specified in the scenario  
12 or in the form specified in the scenario. The piece of  
13 paper quickly became essentially worthless.. The only --  
14 in terms of a plan.

15 The only reason I mentioned it was that it was the  
16 first time that kind of the full scope of the thing was  
17 laid out that I remember, that I read.

18 Mr. Beilenson. One more question if I may --

19 The Chairman. Go ahead.

20 Mr. Beilenson. Charles Allen in early October talking  
21 about his concern for operational security because of  
22 the changeover from the first channel to the second  
23 channel finally and almost as an afterthought perhaps  
24 speculated with respect to the diversion, possible diversion  
25 of funds to the contras.

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1 Mr. Gates. Yes, sir.

2 Mr. Beilenson. Kind of a dual question, one, do you  
3 have any idea in the world why he came to the conclusion  
4 that perhaps the diversion of funds might be for that  
5 particular purpose, I don't mean did he hear or hear  
6 something or he figured that out and he figured North was  
7 involved and he got it intuitively perhaps, with North's  
8 interest in the contras, but secondly, has he ever told  
9 you apparently we now know or Mr. Casey told us  
10 that some money was directed to the contras. Do we know or  
11 suspect if any of that money was directed to other  
12 so-called U.S. purposes elsewhere in the world other than  
13 the contras?

14 Mr. Gates. I have been told by our people that  
15 we can account for every nickel of the money and that  
16 none of it that was paid into our accounts went to any  
17 other purpose other than for paying for the weapons.

18 Mr. Beilenson. You are talking about the basic  
19 million.

20 Mr. Gates. Yes.

21 Mr. Beilenson. But we know money above that was diverted  
22 elsewhere.

23 Mr. Gates. I am not aware of any of that -- not  
24 aware of any other money allocated to any other projects.

25 Mr. Beilenson. You are not even aware of yourselves

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1 that some was diverted to the contras, the money --

2 Mr. Gates. I don't know any facts. I know what the  
3 Attorney General said.

4 Mr. Beilenson. Do you know, do you have any idea  
5 why Mr. Allen came to the conclusion or to the possible  
6 conclusion that it was going to the contras?

7 Mr. Gates. Well, you obviously can and will speak to  
8 Mr. Allen and be able to get him to repeat his analytical  
9 process, but my sense is that it was the movement to the  
10 second channel and the involvement of Secord both in the  
11 Iranian arms thing and Secord in the rumors of Secord and  
12 the private funding effort for the contras, and if you put  
13 that together with all of the unhappiness about cheating  
14 and overcharging and so forth, my impression is that  
15 it was basically that process that led Charlie to the  
16 conclusion, the speculation that you conveyed to me.

17 Mr. Beilenson. Thank you, Mr. Chairman.

18 The Chairman. Mr. Livingston.

19 Mr. Livingston. No questions.

20 The Chairman. Mr. Kastenmeier.

21 Mr. Kastenmeier. I would like to follow up on a  
22 couple of sort of general things. I know people would  
23 like to ask specific questions with specific answers, but  
24 along the line that Mr. Beilenson was following, given  
25 your own reservations and that of John McMahon in the policy

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1 itself, my question is a general one, the senior  
2 officers in the Agency, do they feel a freedom to express  
3 reservations about policy? Is there an understanding  
4 for example where we are in terms of our national policy  
5 with respect to Iran and Iraq, therefore if you get a tasking  
6 which seems to contradict what your understanding is of our  
7 general policy you or Mr. McMahon can raise questions about  
8 whether this is desirable or not?

9 Mr. Gates. Absolutely. We do it all the time.  
10 Perhaps the starkest example is on Lebanon.

11 Mr. Kastenmeier. Thank you. That is right. I want  
12 to get clarification on a detail with respect to the Finding.  
13 You indicated that on December 5 that Mr. McMahon in a  
14 discussion with you had said that there was a Finding, you  
15 needed a Finding and that they were informed such a Finding  
16 existed at that time?

17 Mr. Gates. In the meeting on the 5th the Deputy Chief  
18 of the European Division, [REDACTED] told McMahon  
19 according to these reconstructed notes, that the Finding had  
20 been signed.

21 Mr. Kastenmeier. You then referred to a January 24,  
22 1986 event and you described it as after the Finding was  
23 signed.

24 Mr. Gates. Yes, sir.

25 Mr. Kastenmeier. But then if we are to believe --

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1 You do not believe there was a Finding signed as of  
2 December 5th?

3 Mr. Gates. That is correct. When the finding was  
4 signed on January 17, I know that the Deputy Director of  
5 Operations, and I think one or two others of our officers,  
6 including one of our attorneys, went down to the White House  
7 and read the Finding so we had people in the organization  
8 who had themselves read the Finding of the 17th of  
9 January.

10 Mr. Kastenmeier. Another question --

11 Mr. Gates. Even though we didn't have a copy.

12 Mr. Kastenmeier. Yes. I appreciate that.

13 Another question I have goes to the meeting, the lunch  
14 you had with the Director and Mr. North, Colonel North.  
15 You made an allusion, you discussed a number of things,  
16 Swiss bank accounts, contras, and you apparently asked  
17 North about whether any of your assets, CIA assets were  
18 used by the contras because of the Hasenfus case that had  
19 just broken.

20 My question has to do with command and control. Are  
21 you not fully aware at all times of command and control of  
22 CIA assets. Would you have to learn from Mr. North whether  
23 your assets were used or not? Would you not necessarily  
24 know yourselves?

25 Mr. Gates. No, sir, I would regard it more as a

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double check. Our officers were very explicitly instructed on several occasions once the Boland amendment was passed, to stay away from the contras and in consonance with the law, those directions were sent to Central America, our officers at Headquarters were told of it and they were reminded on several occasions of those restrictions.

But in light of the downing of the Hasenfus plane and all of the speculation in the press, it seemed to me at least worth asking a fellow we assumed was basically the one fellow on the NSC who knew something about the contra funding, just double checking and making sure that in all of his, whatever his wide-ranging activities were, that he has not somehow gotten any of our assets involved.

We had no reporting from our own chain of command that that had happened. In fact we were receiving assurances to the contrary, but it seemed not an imprudent thing to do to check with him.

Mr. Kastenmeier. But you are saying it was theoretically possible that Colonel North could have obtained the use of CIA assets and employed them theoretically, presumably it did not happen -- and employ them without your knowledge?

Mr. Gates. Theoretically yes, that he had at some point, might have or one of the private benefactors might somehow have used one of our proprietaries without anybody knowing about it, including the proprietary or anything else.

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1 It was in that context that I addressed that question  
2 to him. But again, it is in the context of what I would  
3 regard as a pretty rigorous effort, a rigorous effort on  
4 the part of the Directorate of Operations to make sure  
5 that its officers obeyed the Boland amendment.

6 Mr. Kastenmeier. Thank you.

7 The Chairman. Mr. Daniel.

8 Mr. Daniel. Thank you, Mr. Chairman.

9 Mr. Gates, this is not a hostile question but it is  
10 a concerned question, and concern has been heightened by  
11 your statement that you had not read the cable which was  
12 just read into the record by Mr. McCurdy.

13 Are you concerned that through your various channels  
14 that you didn't pick up more information about this operation  
15 than you did?

16 Mr. Gates. About the Iranian arms deal or diversion  
17 of the funds?

18 Mr. Daniel. All of it.

19 Mr. Gates. With respect to the diversion of funds,  
20 I think what is at work here is in part something that  
21 grows out of an attempt to -- and I believe a  
22 successful attempt -- attempt to fully comply with the  
23 Boland amendment. As we have told various members of  
24 both oversight committees at the time of the Hasenfus  
25 affair, I believe our officers actively worked not to inform

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1 themselves. We knew money was going to the contras and  
2 we could have probably found out a lot more about it had we  
3 pursued those channels and had we asked questions, but the  
4 point was that our people were concerned about crossing the  
5 line with respect to the Boland amendment and so actively  
6 shunned opportunities to go find out more.

7 Mr. Daniel. My concern, Mr. Gates, is more general than  
8 that. You have contacts, agents, overhead photography all  
9 over the world. My concern is why you didn't find out  
10 more of this operation over this extended period of time  
11 that it had been going on.

12 Mr. Gates. If we had not -- suppose this entire  
13 operation were going on between Canada or some other country  
14 and Iran. We would have known a great deal about the arms  
15 deal [REDACTED]  
16 [REDACTED]  
17 [REDACTED]  
18 [REDACTED]  
19 [REDACTED]

20 So we did have a fair amount of knowledge about this  
21 thing. In fact one of our concerns on the operational side  
22 is under our sharing agreements, it is my impression that  
23 the [REDACTED] knew.

24 Mr. Daniel. Did you also say that you had not seen  
25 the document that Mr. McCurdy read?

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1 Mr. Gates. That is correct.

2 Mr. Daniel. Is that unusual?

3 Mr. Gates. No, not particularly. A private communica-  
4 tion from the DDCI to the DCI at a time when I was a  
5 subordinate official, no, no. Frankly as we have put  
6 together an enormous number of materials over the past  
7 two weeks for passage to the oversight committees and the  
8 Justice Department, I have read a lot of documents I had  
9 not seen before. That is one I had not seen and have not  
10 read.

11 Mr. Daniel. Can you tell us what you know about  
12 Israel's participation in this activity?

13 Mr. Gates. Only to the extent that I know that  
14 Israel played a very active role, it is my belief based  
15 on what I have read that Israel played a significant  
16 role in getting the operation started in the first place  
17 in attracting the interest of the White House to the  
18 possibility of contacts with the Iranians that could  
19 both lead to a strategic dialogue and to getting the  
20 hostages back.

21 Mr. Daniel. Do you know of any participation by any  
22 other country?

23 Mr. Gates. No, sir.

24 Mr. Daniel. Thank you, Mr. Chairman.

25 The Chairman. Mr. Roe.

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1 Mr. Roe. Thank you, Mr. Chairman.

2 Just for the record, Mr. Gates, going back a bit,  
3 you mentioned in the one meeting with North I believe it  
4 was, on January 25th, you mentioned you used the words  
5 "North and company". You didn't elucidate who was the  
6 "company", was it just North or who else was there?

7 Mr. Gates. Let me see if I have a recollection of  
8 who was there at that meeting. Deputy Director for Operations  
9 Clair George; NIO Charles Allen; and Chief of then I guess  
10 it would have been then Deputy Chief of the Near East  
11 Division, Tom Twetten.

12 Mr. Roe. Let me just be a little bit general, too, and  
13 this puzzles me more than anything else, you made a strong  
14 point and I think rightfully so from my perspective, of the  
15 concern you have in relationship to providing the Iranians  
16 with the battle plans. I think Mr. McCurdy spoke to that  
17 issue. You mentioned you were very much concerned about that.

18 Mr. Gates. Yes, sir.

19 Mr. Roe. But ultimately because of decisions that  
20 were made that information apparently was gathered. Was it  
21 given to the Iranians?

22 Mr. Gates. The information on order of battle -- let's  
23 see, I have a note here. The first information was briefed  
24 and I believe the annotated map given to Gorbhanifar as  
25 I recall at the end of January 1986. The package of the

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1 17th of February -- most of these mark as I recall and as I  
2 say we can provide these to the Committee, but mark the  
3 location of principal units, physical barriers, roads, that  
4 sort of thing. The next package on the 19th of February  
5 also included annotated satellite photography. That was  
6 not given to the Iranians, it was shown to the Iranians  
7 but not given to them.

8 In the package of Soviet materials on the 13th,  
9 prepared on the 13th of May or made available on the 12th  
10 of May, Mr. Cave has told me when they were in Iran that  
11 package also included a couple of annotated satellite  
12 photographs showing Soviet forces and he told me that  
13 basically in their conversations he kind of flashed these  
14 at one of the Iranians and said if you guys can get  
15 your act together, maybe we can have a greater sharing  
16 of intelligence on subjects like this, and then he immediately  
17 put them away.

18 And there was no other sharing.

19 Mr. Roe. But in the first instance the information,  
20 was it given directly to Gorbhanifar?

21 Mr. Gates. My impression is that Allen gave the  
22 annotated map to Gorbhanifar.

23 Mr. Roe. Not to any other Iranians?

24 Mr. Gates. But not to another Iranian.

25 Mr. Roe. So he had the map.

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1 Mr. Gates. Let me double check that.

2 Mr. McCurdy. Mr. Chairman, while he is searching,  
3 can we just make sure, I want to have it in the record,  
4 that we be delivered copies of everything provided as  
5 related to that memo and others to the Iranians. I thank  
6 the gentleman for yielding.

7 The Chairman. Mr. Gates, can you assure us that we  
8 will have those copies?

9 Mr. Gates. Yes, sir.

10 (The information referred to follows:)

11 COMMITTEE INSERT

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1 Mr. Gates. I don't know the specific date.

2 Mr. Roe. Time is so desperately short here, what I am  
3 trying to get at is if Gorbhanifar was such a creep and  
4 thief and liar and so forth, do we have any assurance  
5 that Gorbhanifar gave the information to the Iranians or  
6 did he sell it to somebody else, did he sell it to the  
7 Iraqis? I am not being facetious.

8 Mr. Gates. I don't know that we have that assurance,  
9 no.

10 Mr. Roe. So there was a change in pace that took place  
11 where the contact was different later on.

12 Mr. Gates. Yes, sir.

13 Mr. Roe. You mentioned some Iranians being at that  
14 meeting. We assume that at that point there must have  
15 been Iranian officials or somebody there at that point.  
16 Do we know who they were? I am leading to a point.

17 Mr. Gates. My impression from the chronology that I  
18 have is that Allen provided the order of battle intelligence  
19 to Gorbhanifar in London on the 26th of January. On the  
20 19th of February the Chief of our Near East Division,  
21 Tom Twetten, provided the second package also to Gorbhanifar.

22 Mr. Roe. So we don't know -- what we are saying  
23 is just because I have to ask it, the fact is as far as  
24 you know some of the information was directly provided to  
25 Gorbhanifar but we don't know what that course was and

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1 how it got to the Iranians. We don't know whether it got  
2 there or not?

3 Mr. Gates. That is right. It may be that Allen knows  
4 from his reading [REDACTED] that in fact Gorbhanifar  
5 delivered the stuff to some other Iranians.

6 Mr. Roe. In view of your extraordinary concern  
7 personally of providing that information, do you feel  
8 comfortable to suggest to the Committee why you were so  
9 concerned?

10 Mr. Gates. Basically for the reasons that  
11 Mr. McMahon expressed in his cable to the Director. We  
12 have been concerned all year about declining and were until  
13 actually August or September of this year, sorry, of this  
14 year, yes, about the fragility of the Iraqi position. We  
15 have known for some time that the Iranians were preparing  
16 a significant offensive. We were concerned about the  
17 declining Iraqi morale. We were concerned by the successful  
18 Iranians' offensive at Al Fau in the south. So there were  
19 a variety of things going on that appeared to put the military  
20 momentum on the side of the Iranians.

21 Now that has changed since August or September, but  
22 at the time this was all going on these were the sources of  
23 my concern.

24 Mr. Roe. Well, what I am trying to get at is, in  
25 other words, it appears to me that above and beyond the

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1 transfer of money, you know, which is the thing here, our  
2 relationship between Iraq and Iran you could consider  
3 was materially compromised at that point as far as national  
4 policy would have been concerned.

5 We were supposed to be taking an even-hand as I under-  
6 stand it, and we were supposed to try to solve it, that  
7 was one of the things the President said, we wanted to bring  
8 this to an end.

9 But here we were willing to give them in your own  
10 concern extraordinary information that could unbalance  
11 the whole situation. Is that a reasonable assumption to  
12 make?

13 Mr. Gates. Well, only to the extent that the informa-  
14 tion was useful to them. Frankly we did what we could to  
15 make it as unhelpful and still get away with it.

16 Mr. Roe. I understand that but I am just saying  
17 that nevertheless the level of determination, whoever  
18 decided this, obviously I hope should have been aware of  
19 that.

20 Mr. Gates. I am sure they were.

21 Mr. Roe. That leads to the point that Mr. McCurdy  
22 made, the idea of moderates involved, I cannot possibly in  
23 credulity favor dealing with moderates, what good is everything  
24 if the Government of Iran who is conducting a war with  
25 Iraq isn't going to use this information? What good would

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1 it have been? Well, that is all right. You cannot answer  
2 that.

3 The Chairman. Do you want to finish another question?

4 Mr. Roe. I have one short one.

5 The Chairman. Go ahead.

6 Mr. Roe. Time gets away. I think this might be  
7 helpful to the Committee. We have all kinds of situations  
8 going on with the contras. Congress has been battling that  
9 for the last 2 or 3 years. the Boland amendment, the  
10 \$32 million that went for the humanitarian aid, then the  
11 [REDACTED] that now is being allocated supposedly  
12 for other aid. It puzzled me when you say, and I don't mean  
13 this offensively, that you say that you were aware or some  
14 folks in your operation were aware there was considerable  
15 funding going to the contras, that could have come from  
16 all these different places.

17 How do we determine as a policy position, how does the  
18 CIA determine if the votes are there to support the  
19 contras, how do they determine the qualitative needs of  
20 the contras if money is coming in -- is there no -- how  
21 do you figure out how many shells they need, how many  
22 missiles they need, what is reasonable in the [REDACTED]  
23 [REDACTED] so forth.

24 Do we keep an ongoing track of what they were doing?  
25 Is there somebody that monitors that situation as far as why

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do we suggest [REDACTED]

[REDACTED] I am just wondering if there is any coordination or continuity at all?

Mr. Gates. Yes, sir, there is but I think that the honest answer to your question is that the amounts are basically --

Mr. Roe. Inconsequential?

Mr. Gates. No, first of all I probably shouldn't have used the word "considerable". We knew there was private money going to the contras and it was keeping them going. One of the concerns about that was in terms of the future of the contras, was whether it was regarded by I think most people as essentially a short-term undertaking that couldn't be sustained for very long certainly.

Mr. Roe. If the Secretary of State and other people had chatted with different countries and suggested they needed help in-between while Congress is making up its mind -- I don't want to pursue it. I will pursue it later but that is where I am coming from. It seems to me if we have got a policy that relates to Central America and relates to the contras and then we don't know ourselves what is coming in and out of there, I find that extraordinary to accept.

Mr. Gates. We do collect intelligence on contra activities and to the extent we can there military activities

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inside the country and what the Sandinistas are doing against them so we can have a reasonable picture of military action.

Mr. Roe. They are getting all this money from other sources, maybe we should get some back on the

[REDACTED] I am talking about. I don't mean to be facetious.

Thank you, Mr. Chairman.

The Chairman. Mr. Brown.

Mr. Brown. Just to follow up briefly on this. We have asked you before with regard to the Agency's intelligence with respect to the supply operation and I think the testimony was that you were aware that they were receiving arms and that there was an air drop situation.

I think we asked you if you could monitor the over flights and I think your response was yes. Is that your recollection or am I making this up?

Mr. Gates. I don't know that you --

Mr. Brown. I am not sure --

Mr. Gates. I am not sure you got that testimony from me, but yes, I think the answer to that is yes.

Mr. Brown. As a matter of fact, I think we asked for a log of the actual supply flights as far as that information -- if it was available through CIA intelligence channels.

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1 Does the Committee staff know if we ever received  
2 that information?

3 Mr. O'Neil. We have not received a log. We have  
4 received a number of the other things that were requested.

5 Mr. Brown. You have made reference to the fact that  
6 you knew that money was coming in. You don't actually  
7 mean you knew the money was coming in, you knew?

8 Mr. Gates. They were getting outside help.

9 Mr. Brown. They were getting outside help.

10 Mr. Gates. That is a better way to put it.

11 Mr. Brown. It is the public statement of some contra  
12 leaders that they didn't see any money.

13 Mr. Gates. Yes, we just knew they were getting  
14 outside help.

15 Mr. Brown. And you feel that you had some indication  
16 of the gross magnitude of that help?

17 Mr. Gates. I think so, yes, sir.

18 Mr. Brown. [REDACTED]  
19 [REDACTED]  
20 [REDACTED]

21 Is that a correct assumption?

22 Mr. Gates. Yes, sir.

23 Mr. Brown. But it is your testimony that you made  
24 valiant efforts to avoid acquiring any more information  
25 than necessary about that?

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1 Mr. Gates. Yes, sir. That is what I have been told  
2 and I believe.

3 Mr. Brown. You would deliberately avoid knowing that  
4 say the embassy's military advisor was in contact with  
5 this group and perhaps giving them advice and guidance from  
6 time to time?

7 Mr. Gates. I would have to go back and ask people  
8 that specifically. I don't know of my own --

9 Mr. Brown. There is nothing wrong with this, of  
10 course, but I am trying to probe into the role that you  
11 perceived. You would not perceive it as a part of your role  
12 to determine if embassy staff, the military advisor, whoever  
13 else, was in contact doing something that you had been  
14 prohibited from doing. You would not be responsible for  
15 policing that?

16 Mr. Gates. No, sir. You know, again, I would have  
17 to check in terms of whether one of our people might have  
18 inadvertently learned that or just learned it. But I don't  
19 know.

20 Mr. Brown. Certainly it wouldn't be your responsibility  
21 if a former CIA contract employee, former CIA proprietaries,  
22 former retired military who have done CIA missions were  
23 involved in that. You would not feel it was part of your  
24 responsibility to police that kind of activity?

25 Mr. Gates. Again, part of it -- it seems to me part of

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1 the issue was an effort not to get involved and not to know

2 Mr. Brown. I don't think there was anything in the  
3 Boland amendment that prevented you from seeking to know.  
4 It was preventing you from seeking to engage in certain  
5 kinds of activities.

6 Mr. McHugh. I would like to be clear on some facts  
7 we have not touched on in your testimony.

8 As I recall the CIA provided to the NSC the use of  
9 Mr. Cave who was a CIA retiree for the purpose of facilitating  
10 some of the meetings that took place to negotiate these  
11 arms transactions; am I correct?

12 Mr. Gates. Yes, sir, we felt it would be useful for  
13 the NSC to have somebody on its own team that spoke Farsi  
14 and knew something about Iran.

15 Mr. McHugh. I presume Mr. Cave would report then to  
16 the CIA with regard to any meetings he participated in.

17 Mr. Gates. Yes, sir, I think he did.

18 Mr. McHugh. I would also like to be clear on the  
19 Swiss bank accounts that CIA provided to the NSC for  
20 purposes of funneling money as part of this transaction.

21 This was as I understand it, a CIA account which had  
22 been used for other purposes previously. Is that correct?

23 Mr. Gates. My understanding, and I invite you to,  
24 the Committee staff or Committee to talk to our controller  
25 who knows the intimate details of this better than I

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do -- my understanding is that for reasons of expediency the first several payments, first couple of payments for the weapons were deposited in an account which was also used to, used for the Saudi money associated with the

Mr. McHugh. In the interests of time, the thrust of my question here is that it is our understanding that all payments received from Iran for the arms that had been shipped to Iran which payments were to be reimbursed to the State -- or to the Defense Department, went through CIA account or a number of CIA accounts at different times.

Mr. Gates. Yes, sir.

Mr. McHugh. I presume therefore that the CIA monitored the deposits and expenditures from those accounts.

Mr. Gates. Into and out of those accounts, yes, sir.

Mr. McHugh. All right.

Now, it is my understanding further that on somewhere around October 26th the meeting took place in West Germany which was attended by Mr. Cave, Mr. North, General Secord and his associate, as well as an Iranian representative at which the Iranian representative delivered to the American side \$4 million in payment of a prior arms shipment to Iran. Is that correct?

Mr. Gates. That is not what I have here, sir. I have that North, Cave, Secord, and Hakim met in Mainz with a

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1 senior Revolutionary Guard official for further discussions,  
2 on 29 October, 500 TOW missiles were flown to Iran from  
3 Israel; on 2 November American hostage Jacobsen was  
4 released.

5 On 28 October, \$2.037 million was deposited into a  
6 CIA account to cover the cost of 500 TOWs.

7 Mr. McHugh. It is our information, and perhaps the  
8 staff can correct me if I am wrong, that at the meeting  
9 which we have described in West Germany, \$4 million was  
10 handed by way of check, handed to the American side by the  
11 Iranian side and that subsequent to that, \$2,037,000 was  
12 deposited into the CIA account.

13 Now, I would like to have those facts confirmed.  
14 Because if they are in fact true there was a shortfall of  
15 \$2 million which was or should have been evident to the  
16 CIA by virtue of the fact that Mr. Cave was at the meeting  
17 and reported \$4 million having been transferred and the  
18 CIA has control of the account into which \$2,037,000 was  
19 deposited, there was an immediate, there is clear evidence  
20 if those facts are true, wholly within the knowledge of the  
21 CIA, that \$2 million got lost someplace.

22 It is also our information and perhaps you can confirm  
23 this at least as a general understanding on your part, that  
24 Mr. Secord was much involved as well as Mr. North in the  
25 provision of aid in one form or another to the contras.

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Now, these facts as I understand them trouble me if true, because if true they clearly indicate that the CIA knew at least at that point that there was a diversion of approximately 50 percent of the money paid by Iran to another purpose, and I would appreciate any response you have to that and if you are not sure, I would certainly want the Committee to know specifically what the CIA says about that.

Mr. Gates. We will -- frankly this is the first I have heard of that. I will take that information back and get you an answer.

(The information referred to follows:)

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1 Mr. McHugh. I am also troubled I must say generally,  
2 and I invite your response to this, and it relates to the  
3 same problem, by the train of events which preceded this  
4 meeting and transfer of funds which I have referred to and  
5 correct me here if I am wrong about the train of events.

6 As I understand your testimony, you have said that on  
7 October 1st Mr. Allen mentioned to you for the first time  
8 that he speculated to you for the first time, rather, that  
9 some funds might have been diverted to the contras.

10 If this speculation proved to be true obviously it was  
11 a serious matter. I presume you agree that that would have  
12 been illegal if participated in by any U.S. officials.  
13 Correct?

14 Mr. Gates. I don't know the answer to that. I assume  
15 so.

16 Mr. McHugh. Secondly, the second reference was on  
17 October 9th when Mr. North made some if I understand you  
18 correctly, obscure reference to Swiss bank account and  
19 contras. You were not sure precisely what he meant, you  
20 spoke to the Director about it and as a result specifically  
21 asked Mr. North whether the CIA or any of its assets were  
22 involved in support for the contras.

23 And he responded the CIA was clean.

24 Mr. Gates. Yes, sir.

25 Mr. McHugh. Then on October 14 Mr. Allen formalized

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1 in a memorandum his concerns about the security being  
2 compromised and also mentioned that if Mr. Gorbhanifar  
3 went public he could say that some of the money from  
4 Iran could have been diverted to other projects.

5 In other words, there was a series of references,  
6 albeit some perhaps more obscure than you might have  
7 liked, but nonetheless there were a series of references  
8 to the diversion of funds as part of the arms transaction  
9 in which to some extent the CIA was involved and then of  
10 course we have the October meeting which I referred to  
11 at the beginning where there was a \$2 million shortfall  
12 somehow.

13 It seems to me that bells should have gone off in the  
14 CIA, not only by going to Mr. Poindexter and having him  
15 read a memo in your presence and suggest to him that he  
16 should talk to the White House counsel, but that there might  
17 well be some significant evidence now of, or suggestion of  
18 illegality and that perhaps the Committee should have  
19 been at least alerted.

20 Since my time is up I would simply ask if you have  
21 any comment on that, and first have I misstated any of the  
22 facts; secondly, do you have any comment as to why more  
23 affirmative, concrete action was not taken beyond alerting  
24 Mr. Poindexter and suggesting a meeting with the White  
25 House counsel?

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1 Mr. Gates. First of all, I don't know whether the  
2 facts regarding the meeting and transfer of the \$4 million  
3 are correct, but that said, it seems to me that there  
4 are considerations that need to be taken into account.

5 First of all, neither Allen nor Furmark when he later  
6 talked to Allen on the 22nd of October, ever adduced any  
7 evidence or even speculated to the fact that the NSC was  
8 involved. Never adduced or mentioned that CIA was  
9 involved.

10 We were fundamentally ignorant of the funding mechanisms  
11 for the contras and so on that the White House was aware  
12 of so what we had was an analytical speculation in the  
13 context that this is something Gorbhanifar might say if he  
14 went public in the context of Allen's memo, and we had a  
15 businessman from New York saying that Gorbhanifar,  
16 a known liar, had told him that he believed that some of  
17 the money was being -- had been earmarked for Central  
18 America.

19 Now, that is all we had.

20 Mr. McHugh. Mr. Gates, my time is up and therefore  
21 I will not debate it with you but on October, as early as  
22 October 9th you had Lt. Colonel North making reference --

23 Mr. Gates. But it was --

24 Mr. McHugh. -- to this which was, which you had been alerted  
25 to by Mr. Allen, albeit by way of speculation.

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1 This is not the time to debate the issue. And  
2 therefore I will yield back the balance of my time but I do  
3 think that there is a series of suggestions or hints at  
4 least that there was something amiss here and there is a  
5 question in my mind at least about whether the CIA, which  
6 was very much involved in the whole transaction of arms  
7 out of which this diversion took place, should have been  
8 more aggressive.

9 Mr. Gates. Well, if I may, Mr. Chairman, I would  
10 like to make two brief comments, the first is that  
11 even in the session with North, in this very brief and  
12 very cryptic comment that perhaps occupied one minute of  
13 an hour-long lunch, there was no mention that any U.S.  
14 persons were involved in any of that.

15 And second, I think that the very shaky nature of  
16 the tip-offs if you will that we received need to be seen  
17 in the context that we still had an operation going on in  
18 which the White House believed and told us that they had  
19 considerable hopes of still getting the release of two  
20 hostages.

21 We were still maintaining our internal compartmentali-  
22 zation.

23 On the basis of those things, it seems to me bearing  
24 in mind all of these activities and the nature of  
25 what we had been told, that a decision to have the CIA

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1 counsel look over the whole thing and make sure that  
 2 there were no problems, getting an assurance from North,  
 3 and informing Poindexter of all of these problems and  
 4 recommending that Poindexter bring in the White House  
 5 counsel in the context of an operation that was looking  
 6 towards a <sup>demonstration</sup> ~~detachment~~ within a couple weeks were prudent  
 7 actions in light of the shaky nature of the information  
 8 we had.

9 Now, if things had developed otherwise or we had gotten  
 10 more information, more concrete information, then I think  
 11 we would have had to consider very seriously whether to go  
 12 either to Justice or to the President.

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1 The Chairman. Mr. Dwyer.

2 Mr. Dwyer. Thank you, Mr. Chairman.

3 You told the Committee staff when they talked to you a  
4 week or so ago, Mr. Allen came to you with concerns that  
5 the Iran operation was about to be exposed and proceeds from  
6 the operation may have been diverted for these purposes,  
7 is that the discussion you had with the staff?

8 Mr. Gates. Yes, sir.

9 Mr. Dwyer. There was also some apprehension about  
10 this Iranian situation?

11 Mr. Gates. I think that people in the Agency, and I  
12 wouldn't presume to speak for anyone else, but even for  
13 those who agreed with the strategic objective of establishing  
14 a dialogue with Iran, arms transfers apart, were disturbed  
15 by the character of some of the people that were involved  
16 in this whole thing. These people are not unknown to us,  
17 particularly Secord, and we also were concerned about the  
18 operational security of the thing, so I would say that,  
19 particularly on the question of the security of the  
20 operation, we were, we were concerned, especially when we  
21 began getting evidence that a large body, that a growing  
22 body of people involved in the thing were getting unhappy.

23 Mr. Dwyer. You mentioned General Secord. You mentioned  
24 the fact that you don't keep tabs on him because he is an  
25 American. Is that because you are precluded by law from  
doing that?

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1 Mr. Gates. Yes, sir.

2 Mr. Dwyer. How about an American operating outside of  
3 the limits of the United States?

4 Mr. Gates. Can't do it then except in an *counter*-  
5 intelligence context.

6 Mr. Dwyer. Is there enough suspicion about him that you  
7 might want to do it in that context?

8 Mr. Gates. No, sir.

9 Mr. Dwyer. You mentioned a lunch in January of 1986.

10 Mr. Gates. A meeting with North.

11 Mr. Dwyer. Yes, sir, and he laid out all of the dates,  
12 apparently laid out in some agenda form the entire  
13 operation of arms going to Iran, weapons, dates, payments,  
14 things of that nature?

15 Mr. Gates. I think the meeting was more to lay on the  
16 preparation of these intelligence materials. I don't recall  
17 that he did that at that meeting. I just recall seeing  
18 a piece of paper that laid out the scenario, and it may  
19 have been subsequent to that meeting.

20 Mr. Dwyer. At that particular meeting, with that  
21 particular layout, was the CIA-controlled bank accounts  
22 mentioned?

23 Mr. Gates. No, sir, I don't believe so.

24 Mr. Dwyer. When did you first have knowledge of the  
25 CIA bank account was being used?

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1 Mr. Gates. I don't think that I had specific  
2 knowledge of that until this entire affair was exposed  
3 in the middle-to-late part of November.

4 Mr. Dwyer. You are the Director of Operations.  
5 How many Swiss banks accounts do the CIA have going at  
6 any given time, it would seem to me that would be an impor-  
7 tant undertaking of the Agency?

8 Mr. Gates. My impression is that we have a number of  
9 Swiss bank accounts.

10 Mr. Dwyer. Do you have any idea what the activity  
11 is in those bank accounts?

12 Mr. Gates. No, sir.

13 Mr. Dwyer. Who does that?

14 Mr. Gates. The Deputy Director for Operations, the  
15 Office of Finance, the Controller, there are a number of  
16 different organizations that have responsibility for  
17 monitoring those accounts.

18 Mr. Dwyer. You have not been curious enough about  
19 those accounts to ask who might have drawn checks, or  
20 drafts on those accounts?

21 Mr. Gates. No, sir.

22 Mr. Dwyer. Do you think you should have been curious  
23 in that direction?

24 Mr. Gates. No, sir, I would regard that as a degree  
25 of micro management in a [REDACTED] operation that we

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1 hold the Deputy Director for Operations and the Director  
2 of the Office of Finance responsible.

3 Mr. Dwyer. Sort of like the bank president fiddling  
4 with the books and no one knew it.

5 Mr. Gates. No, sir, not quite like that.

6 Mr. Dwyer. During the month of October, Director  
7 Casey heard of other things which complemented what  
8 Charles Allen had said in his memory of the 17th  
9 concerning the possible diversion of funds from the  
10 Iran operation.

11 Would you want to elaborate on what other things  
12 Mr. Casey might have heard?

13 Mr. Gates. When I talked to staff, I may have been  
14 confused in my own mind. My impression had been in the  
15 initial conversation with this businessman, Roy Furmark  
16 on the 7th of October, that that was the time which  
17 Furmark mentioned the possibility that Gorbhanifar,  
18 he believed some of the money may have been earmarked to  
19 Central America.

20 The fact is, that did not come up in the conversation  
21 of the 7th but rather when Charlie Allen debriefed Gorbhanifar  
22 on the 22th in New York so I was mistaken when I talked to  
23 the staff in terms of the chronology.

24 Mr. Dwyer. Go back to the statement Director Casey  
25 heard of other things.

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1 Mr. Gates. That was what I had in mind, this report  
2 from Furmark.

3 Mr. Dwyer. The fact that the diversion of funds  
4 became the subject of brief discussion, wouldn't that  
5 prompt you to take a look in the traffic in the Swiss  
6 bank accounts?

7 Mr. Gates. We had no indication that there were any  
8 irregularities in any respect with the bank accounts,  
9 the Swiss accounts that were receiving the monies for the  
10 weapons, and people in our Office of Finance knew how  
11 much money was in the account, how much we had been billed  
12 by DoD, what was still to come and so on.

13 Mr. Dwyer. Thank you. My time is up.

14 The Chairman. Gentlemen, I am sure you all have  
15 additional questions for Mr. Gates.

16 We do have Mr. McFarlane waiting, and he has been  
17 waiting now for about 40 minutes.

18 The Chair is going to suggest after we have Mr. Casey  
19 and the other CIA witnesses, that we submit in writing to  
20 the CIA a number of questions that come to your mind and the  
21 staff's mind as a result of Mr. Gates' testimony and the  
22 subsequent testimony by the other CIA officials,  
23 including the Director. I would like to suggest that we  
24 move on with Mr. McFarlane right away.

25 Are there any questions that you feel you would like

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to give to Mr. Gates at this moment.

Mr. Gates, we are deeply appreciative of your willingness to come in and testify this afternoon. Your statements have been very helpful to us, and you are excused.

Mr. Gates. Mr. Chairman, thank you, and I might just say both Mr. Casey and I are grateful to the Chairman and to the Committee for your courtesy in allowing us to reschedule our appearance.

The Chairman. The Committee will take a five-minute break and we begin with Mr. McFarlane.

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Chairman BOREN. It is now my privilege to turn for opening comments to the Vice Chairman of the Committee. As I've indicated, this is a Committee that has operated in a uniquely bipartisan way in keeping with our trusteeship responsibilities in this sensitive national intelligence area. It has been my privilege to work with him. I could not have a more effective working partner and one that takes his responsibilities more seriously.

So I turn now for his opening comments to my colleague, the Vice Chairman, Senator Murkowski of Alaska.

Senator MURKOWSKI. Thank you, Mr. Chairman.

Mr. Chairman and colleagues, no government appointment is of greater sensitivity or importance for national security than that of Director of Central Intelligence. Because of recent international events, the nomination before us takes on a particular significance.

In my 10 years in the Senate, I have never see a time in U.S. foreign relations that present greater opportunities or, if we fail to take advantage of those opportunities, greater long-term difficulties. Some years ago, former Secretary of State Dean Acheson wrote a book entitled "Present at the Creation," describing the formation of U.S. foreign policy at the outset of the Cold War. Now the Cold War is over and we are present at the creation of the post-Cold War era. These are extraordinary times. Just within the last year we have seen Saddam Hussein's invasion of Kuwait, and a victorious and powerful U.S. military response. We've seen the final collapse of the Soviet Communist empire within Russia itself. This August, a coup, led by supporters of faded and outmoded ideology, failed, leaving in its wake an outlawed Communist party. This event was the final trigger releasing the forces of reform. Now we find a stunning situation in what used to be called the Soviet Union where republics are now declaring independence and either leaving or attempting to reformulate a confederation—leaving in some disarray the control of Soviet weaponry. These staggering events will have profound impacts on the future of U.S. intelligence.

We have been fortunate to have President Bush, Secretary Baker, Secretary Cheney and General Scowcroft in positions of leadership during these incredible times.

However, the President's team is not complete. He needs at his side his choice as Director of Central Intelligence. The President sent his nomination to the Senate in June, and we had hoped to hold our confirmation hearing prior to the August Recess. Yet, as a consequence of waiting until now, we will be able to hear from more key witnesses, including persons who have been involved with the Independent Counsel.

Mr. Chairman, the nominee before us, Robert M. Gates, enjoys President Bush's unconditional support. I have personally met with the President as recently as last week and he reaffirmed his commitment to this nomination in no uncertain terms.

Having come to know Bob Gates for several years now, I can understand why the President has selected him. From the time of his graduation from the College of William and Mary, he has dedicated his career to intelligence and national security issues, either at the National Security Council or at the Central Intelligence Agency. His original expertise is in Soviet analysis—a vital skill at a time

when the Soviet Union, with thousands of nuclear weapons, is undergoing a convulsive and unpredictable transformation. Perhaps more importantly, Dr. Gates has accumulated broad experiences along the breadth and depth of national security and foreign policy issues. He is a trained analyst—the first Director with this background. All this makes Bob Gates uniquely qualified to lead the Intelligence Community at a time when the most basic assumptions about this world must be re-examined and the entire role of intelligence must be redefined.

This Committee has a serious obligation to the United States Senate to insure that we develop a complete record on the fitness of Dr. Gates to assume this critical post. Chairman Boren and I and all the Members of this Committee take this obligation very seriously. We have directed our staffs to look into each and every matter of concern that has been expressed about this nomination. When our resources were limited, and when it was appropriate, we have asked the FBI to investigate specific allegations.

The Chairman has already outlined the areas of inquiry that we will pursue in this nomination and the confirmation process, and I need not repeat what he has already said. I will say that my review of the Committee's work, and that of the FBI, has convinced me up to this point that allegations against this nominee have little or no merit.

The Intelligence Committee, as the Chairman has indicated, is by tradition, non-partisan, inasmuch as we are limited to eight years of our Senate careers, unlike other Committees.

Our deliberative process, when necessary, has been somewhat frustrating, however. We have been confronted with serious concerns raised about the nomination, but we have also been exposed to frivolous or far-fetched allegations from persons of questionable background who apparently see nothing wrong in creating wild aspersions in an effort to generate headlines or protect themselves from prosecution. While I can express irritation at this process, I know that the nominee and his family has even more frustration in having to silently endure four months of an endless stream of allegations. I know Mr. Gates looks forward to being able to respond now and to set the record straight.

This nomination has rekindled old issues surrounding the Iran-Contra affair, and questions about when Dr. Gates knew about the diversion of funds to the Contras. Some wonder how Bob Gates could not have known all along, since his immediate boss, Director Bill Casey, may have known about the diversion.

Well, I expect to explore the management of style of Bill Casey in these hearings, for it has a bearing on whether Dr. Gates should have been made aware of certain events. From my review, thus far, it is clear to me that Bill Casey reached out to and personally directed the actions of CIA personnel, no matter where they appeared in the organizational chart. From what we've heard in our interviews, it was widely known that Casey cared very little for the layers of administrative bureaucracy. It is no surprise to me that certain employees, such as Alan Fiers, may have reported directly to Bill Casey, without going through their supervisors. In fact, Bill Casey was known to be no slave to any organizational chart. He kept certain things to a very few person—perhaps in an effort to

eventually insulate the Agency from criticism and perhaps to accept personally the risk. Further, it appears that Casey followed these procedures on numerous CIA assignments.

I look forward to hearing from Dr. Gates about his relationship with Mr. Casey.

Some may wonder why Dr. Gates has been the subject of so much interest. The answer partly lies in the fact that he has a spectacularly successful career. Bob has a sharp and directed intellect and has risen quickly to positions of responsibility both at the National Security Council and in the Central Intelligence Agency. After having been a principal assistant to Director Bill Casey, Bob Gates was tapped for the important position of Director of the Directorate of Intelligence, the side of the Central Intelligence Agency that produces analysis for policymakers. His capabilities were further recognized in April 1986 when he became the Deputy Director of Central Intelligence Community's analytical arm, he made it clear that he intended to make intelligence analysis more timely and more useful for the President and for senior policymakers. Under him, the analytical output of the CIA grew dramatically. Dr. Gates is not a person who like the status quo. By all accounts he demands accountability from subordinates.

There are some who react well under his strong management style, and there are others who resist and resent it. In the context of our work on this nomination, there are even some who say that Dr. Gates intentionally slanted intelligence to make it agree with the preconceived views of policymakers. Dr. Gates will have an opportunity to tell us how he ran the analysis side of the CIA, and whether his firmly held views on a number of subjects influenced analysis under his leadership.

Since 1988, Dr. Gates has worked directly for President Bush on the National Security Council, and has gained the President's complete confidence in the process. It is not trivial to say that one important attribute of an effective leader of the Intelligence Community is that person's ability to gain the respect and attention of the President. Clearly Dr. Gates enjoys such a close relationship with President Bush. It is also not trivial to note that Dr. Gates has been a frequent and effective witness before this Committee. The ability to master complex intelligence programs and issues and articulate them to the Congress is a rare and valued skill.

Bob Gates will face enormous challenges not merely in providing guidance to the President, but in managing the Intelligence Community. I believe that he is the right person at the right time in our history to become Director of the Central Intelligence Agency. He is of a generation that understands the uses and limits of advanced technology, while retaining a firm grasp of the need for human intelligence resources as well. He fully understands the full complexity of the Intelligence Community as it exists today, and I'm sure through these hearings will enlighten us as to how he could propose changing certain aspects of the Community to make it more responsive to the nation's needs. He has been at the vortex of the highest level of foreign policy decision-making for the past several years.

We on this Committee will do our job thoroughly, as the Chairman has said, and we will of necessity review the past. There are

some who may suggest that we should delay this nomination until all aspects of the past, including work now underway by the Independent Counsel, is completed. Well, I believe we must move ahead now. We cannot predict when the Independent Counsel's work will be done. It's gone on now for four years already, and there is no clear end in sight. We will have testimony from some key witnesses, but we will not be able to penetrate the secrecy of the grand jury. Yet, we will hear sworn testimony from the nominee and we have developed our own, exhaustive record on any number of issues. It is time to take action on this nomination. The President needs his team in place at this critical time. We have a duty to act, not a duty to delay.

I am confident the President has submitted a highly qualified person to be the next Director of Central Intelligence, and I know that Dr. Gates looks forward to this opportunity to finally meet with us at this confirmation hearing. Dr. Gates we welcome you to the Committee.

Chairman BOREN. Thank you very much, Senator Murkowski. I now turn for his opening statement to Senator Nunn.

Senator NUNN. Mr. Chairman, in the interest of time and with the hope of establishing some precedent I would ask that my exciting, witty and brilliant statement be admitted to the record.

Chairman BOREN. Without objection that will be accepted. And you may set dangerous precedents indeed if you move us along that quickly.

[The opening statement of Senator Nunn follows:]

## OPENING STATEMENT OF SENATOR SAM NUNN (D-GEORGIA)

## HEARING ON THE NOMINATION OF

ROBERT M. GATES TO BE

DIRECTOR OF CENTRAL INTELLIGENCE

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MR. CHAIRMAN, I JOIN YOU IN WELCOMING ROBERT GATES BEFORE OUR COMMITTEE THIS MORNING.

THE ROLE OF THE DIRECTOR OF CENTRAL INTELLIGENCE (DCI) IS ONE OF THE MOST IMPORTANT POSITIONS IN OUR GOVERNMENT. THE DIRECTOR OF CENTRAL INTELLIGENCE IS BOTH THE DIRECTOR OF THE CENTRAL INTELLIGENCE AGENCY AS WELL AS THE HEAD OF THE UNITED STATES INTELLIGENCE COMMUNITY. AS SUCH, THE DCI IS RESPONSIBLE FOR THE COLLECTION, ANALYSIS AND DISTRIBUTION OF INTELLIGENCE; FOR THE CONDUCT OF COVERT ACTION; AND FOR THE OVERALL MANAGEMENT OF THE INTELLIGENCE COMMUNITY. THOSE ARE MAJOR RESPONSIBILITIES, THE PERFORMANCE OF WHICH HAS A SIGNIFICANT IMPACT ON THE NATIONAL SECURITY OF THE UNITED STATES.

WITH THE RECENT DRAMATIC CHANGES IN THE GLOBAL SECURITY ARENA, THE COLLECTION AND ANALYSIS OF INTELLIGENCE HAS BECOME AN EVEN MORE IMPORTANT MISSION THAN IT WAS HERETOFORE. ADDITIONALLY, THE MISSION MUST BE PERFORMED AT A TIME OF DWINDLING BUDGET RESOURCES. RECENT CRITICISMS OF THE INTELLIGENCE COMMUNITY, PARTICULARLY IN CONNECTION WITH SUPPORT TO THE FIELD COMMANDER DURING OPERATION DESERT STORM; A FAILURE TO ANTICIPATE MAJOR CHANGES IN THE WORLD; AND THE JUST REPORTED INTELLIGENCE FAILURE

IN THE FORMER EAST GERMANY WARRANT CLOSE EXAMINATION. THIS COMMITTEE IN PARALLEL WITH THE SENATE ARMED SERVICES COMMITTEE IS EMBARKED ON AN EFFORT TO ASSESS THE APPROPRIATE ORGANIZATION AND FUNCTIONS OF THE INTELLIGENCE COMMUNITY. THAT EFFORT WILL REQUIRE THE CLOSE AND CONTINUING COOPERATION OF THE NEXT DCI.

THE AREA OF COVERT OPERATIONS PRESENTS AN ENTIRELY DIFFERENT SET OF PROBLEMS. THE RECENTLY ENACTED INTELLIGENCE AUTHORIZATION ACT FOR FISCAL YEAR 1991 PROVIDES A USEFUL CODIFICATION OF THE DEFINITIONS AND LIMITATIONS OF COVERT ACTION. BUT THE ISSUE OF TIMELINESS OF NOTIFICATION TO THE CONGRESS HAS NOT YET BEEN FINALLY SETTLED, NOR IS THERE TOTAL AGREEMENT BETWEEN THE CONGRESS AND THE PRESIDENT ON ALL ASPECTS OF COVERT ACTIONS. THE CONGRESS MUST BE ABLE TO RELY ON THE INTEGRITY AND WATCHFULNESS OF THE DCI IF THAT LEGISLATION IS TO WORK AND IF MISTAKES OF THE PAST ARE TO BE AVOIDED.

MR. GATES HAS A DISTINGUISHED RECORD OF PUBLIC SERVICE WITHIN THE CAREER INTELLIGENCE FIELD AS A PROVIDER OF INTELLIGENCE ANALYSIS AND MANAGER AND WITHIN THE NATIONAL SECURITY COUNCIL AS A POLICY ADVISER. THIS HAS GIVEN HIM EXTRAORDINARY EXPERIENCE ON BOTH THE INTELLIGENCE PROVIDER AND INTELLIGENCE CONSUMER SIDES OF THE EQUATION. THAT EXPERIENCE WILL SERVE HIM WELL IF HE IS CONFIRMED AS THE DIRECTOR OF CENTRAL INTELLIGENCE. THERE ARE, AS WE ALL KNOW, SOME TOUGH QUESTIONS THAT MR. GATES MUST ANSWER WITH RESPECT TO HIS PAST ROLE IN THE AGENCY AND I LOOK FORWARD TO HIS TESTIMONY BEFORE THE COMMITTEE.



Chairman BOREN. Senator Chafee?

Senator CHAFEE. Well, thank you very much, Mr. Chairman. First I want to say to you Mr. Gates that it's a tribute to you that President Bush, who of course is a former Director of Central Intelligence, has nominated you for this job. I think it's also a tribute to President Bush that he put substance above politics in submitting your name to the Senate. I think it would have been easy for the President to have said, "Well, I know that Bob Gates is the best man for the job and I know that he wasn't guilty of wrongdoing in the Iran-Contra affair, but his nomination is going to raise this issue once again, so why go through that struggle?"

But the President didn't take that route and I commend him for it and I think he's right. I think there are others whom he could have nominated if his only objective were to avoid polemics. But I share the President's view that in a period of profound political change, declining budgets and changing missions, the Intelligence Community requires a leader who is intimately familiar with the mechanics of the institutions involved. Someone who knows how the different parts of the U.S. Intelligence Community are connected and how much stress they can bear, each of them, because an overhaul of the system is clearly going to come about as we work with reduced expenditures in the years ahead.

I think we all agree that the Intelligence Community is an arcane system of arcane systems. It's got a Rube Goldberg wiring diagram connecting everything from moles that have gone underground to satellites in space. I'm not sure how many Members of this Committee could explain the difference between ELINT and IMINT and COMINT and SIGINT and MASINT, or the relative merits of multispectral versus signal-band imagery. The DCI has to have a grasp of these and a thousand other details in order to effectively manage the Intelligence Community, and I think it's important to remember we're talking the entire Intelligence Community here. Sometimes people think you're just being nominated to head the CIA. It's far more than that.

As a former Air Force intelligence officer, CIA analyst, Deputy Director for Intelligence, Deputy Director of Central Intelligence, and Deputy National Security Adviser, you have acquired over many years the depth and range of experience necessary to effectively lead the Intelligence Community during this period of profound change.

I think it bears repetition, however that integrity is as important as expertise in examining your fitness for this very sensitive position. And the Committee clearly has an important obligation to insure that you will faithfully uphold the law. After reviewing the record and your responses to the battery of questions submitted to you by this Committee, I have yet to see any evidence of wrongdoing on your part. It appears that you promptly notified your superiors when you received information, even though it was speculative, indicating that funds may have been illegally diverted to the Contras.

You have stated that in hindsight you wish you had done even more and that's a laudable sentiment. And I assume that if such situation ever arose again you would do more.

However, it's also fair to say that there are some legitimate and still unresolved areas of concern regarding your actions during the Iran/Contra affair and hours will be spent grilling you on those.

It's my strong hope that your responses on those issues will resolve any lingering doubts that Members of the Senate or the public may have regarding your past conduct and your qualifications for this extremely important position.

You clearly enjoy the trust and the confidence of the President and that is a very, very important asset. You have, by all accounts performed with remarkable diligence and competence during a series of crises during your tenure at the NSC, including the war with Iraq and the invasion of Panama.

But just as important is the future, and I hope we can spend some time in these hearings on the future. What are your visions for the CIA in the overall Intelligence Community? The principal threat that's dominated our intelligence services for the past forty-six years has been greatly reduced and everybody knows that. Therefore, can our intelligence budgets be substantially cut? Where should these cuts be made? Must we switch our intelligence gathering techniques dramatically? Are satellites far less useful as has been suggested here, and human collection far more important than formerly?

There is a good deal of talk of industrial espionage. Should our U.S. government intelligence agencies be commissioned to ascertain, for example, whether a foreign industrial competitor of the U.S. has developed a more powerful computer chip, one that represents a significant leap forward? Or should U.S. intelligence agencies be involved in industrial counter-espionage, ascertaining whether other nations, or companies from other nations, are attempting to steal U.S. proprietary information? Should the CIA be the organization that would alert us that, for example, China is expected to have a massive drop in grain production? And that we in the U.S. may have lucrative sales if we increase our own production? Now is this a duty of the CIA, for example?

In brief, Mr. Gates, I don't believe that these hearings should focus exclusively on what you did or didn't do in 1985 and 1986. I want to hear your views on the future of the entire U.S. Intelligence Community, which encompasses far more than just being head of CIA.

Thank you very much, Mr. Chairman.

Chairman BOREN. Thank you very much, Senator Chafee. I want to turn now to Senator Warner for his opening statement. Senator Warner, of course, serves as the ranking minority Member of the Senate Armed Services Committee as well. I've talked about the relationship of the work between that Committee and this Committee and he has certainly served us well and importantly in his capacity making sure that the work of the two Committees was cooperative and consistent.

Senator Warner.

Senator WARNER. Thank you, Mr. Chairman. Mr. Chairman perhaps you'd want to alternate and I could follow Senator Hollings and thereby keep your order. I always want to follow Senator Chafee since I was his Deputy and will be for the rest of my life.

Chairman BOREN. I think Senator Hollings is willing for you to go ahead.

Senator WARNER. I'm going to take a note from Senator Nunn and file my statement; but I do wish to say a few things to my good friend, and I say that with great respect, because we worked together for a decade. Furthermore the CIA is based in my state, Virginia and I'll have the privilege of joining other colleagues in introducing Robert Gates.

But, Mr. Chairman, you have noted that the world is looking at this hearing. Unlike the advise and consent procedure for Judge Thomas which is primarily of interest within the domestic borders, this hearing projects beyond our borders. The decisions that the next Director of Central Intelligence will make, the advice that he will give the President and his Cabinet, has an effect on every foreign capital in the world. Furthermore, the degree to which you can establish trust and confidence with your counterparts among our friends and allies is the degree to which our intelligence can be improved.

And this is why it is so important that our President has chosen you, Bob Gates, a man of 25 years of experience. Because he recognizes, and I think this Committee will eventually recognize, that you are the man best qualified to reach out beyond the borders of this country and form those bonds with your counterparts in those other countries and thereby improve our own intelligence.

This is not an adversarial proceeding, as you said Mr. Chairman, to those from abroad who watch. It is not a trial, it is not a political exercise. It is a function that we perform under Article II, which incidentally is the article of the Constitution which deals with the powers of the President. He's given the primary authority to pick and choose those advisers whom he feels can best advise him in the Cabinet. And our judgment as a Senate, while equally important, is to determine only if he's erred in that judgment. In my judgment he has not.

And I also, Mr. Chairman and Members of the Committee, would like to point out that, if confirmed, Bob Gates will become a member of a team, which includes the Secretary of State, the Secretary of Defense, the National Security Adviser, and the Chairman of the Joint Chiefs. And that chain can be no stronger than its weakest link. And each of those individuals have put their reputations on the line in a sense when they jointed the President in recommending to the Senate that you be the next Director of Central Intelligence.

So I view this nomination as the end product of a team effort, a team that we here in the Congress have great respect for, and a team that has earned the respect and confidence of the world.

Mr. Chairman, we still face an uncertain and a dangerous world. We face proliferation of weapons of mass destruction which, to this Senator, is one of the most serious things that will have to be addressed by the next Director. And you, Mr. Gates, have had a good deal of experience and you have spoken out very forcefully on this subject.

We have before the Congress now vital decisions as to how we reorder the priorities of our defense budget. In particular whether or not we're going to move forward in this country with devising

the technical means to defend ourselves against an accidental launch or an unintentional launch of a single, or maybe, more nuclear weapons towards us. And you have a knowledge in this area and you have spoken out and supported the fact that this country should move forward.

Certainly if there is anything we learned from the coup in the Soviet Union it was that we cannot just simply rely on the fact that no matter what happens in the Soviet Union there are going to be men of strong minds that are going to make the decisions. Wrong. There were times during this coup when the codes relating to nuclear systems fell into the hands of individuals, many of whom were highly intoxicated in those few hours and days in which they thought they had some authority. And some of whom became so unstable mentally as to take their lives.

And that's why I feel it's so important that we have a man with your background and your training that will step into this position.

Lastly, I want to pick up on a note by my distinguished colleague Senator Chafee. As we look at the reorganization of the CIA, the emphasis placed on the Soviet Union in the past can be scaled down in some measure. And those assets and that emphasis I strongly suggest be shifted to the economic side of the house, and that you develop and augment the staff that can support your constituency and the departments of Treasury, Energy, Commerce, as well as Customs, and work on this question of stealing our technology.

Unlike matters of national security where you can deal with your counterparts on an equal basis throughout the world on national security, when it comes to trade and commerce, we have very few friends in the world, if any. It's everybody for himself in this world economy. And I think we've got to strengthen that side.

Mr. Chairman, if confirmed, we'll have a new CIA Director who needs no on-the-job training. Good luck.

Chairman BOREN. Thank you very much Senator Warner. I'm now going to turn to Senator Hollings of South Carolina for his opening statement. Senator Hollings chairs the Commerce Committee and chairs the Subcommittee on Appropriations which deals with many sensitive national security programs and brings that perspective to the work of our Committee.

Senator Hollings.

Senator HOLLINGS. Thank you very much Mr. Chairman. I will ask that my prepared statement be included.

Chairman BOREN. Without objection.

[The opening statement of Senator Hollings follows:]

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## OPENING STATEMENT OF SENATOR ERNEST F. HOLLINGS

NOMINATION OF ROBERT M. GATES TO BE DIRECTOR OF  
CENTRAL INTELLIGENCE

SEPTEMBER 16, 1991

THANK YOU, MISTER CHAIRMAN. MISTER GATES, I JOIN MY COLLEAGUES  
IN WELCOMING YOU TO THESE PROCEEDINGS.

THERE WILL BE SUBSTANCE IN THESE HEARINGS BECAUSE, UNLIKE SOME  
NOMINEES TO HIGH POSITIONS, YOU HAVE A RECORD IN THE AGENCY AND  
FIELD WHICH YOU HAVE BEEN CHOSEN TO LEAD. IT IS A RECORD OF SOLID  
ACCOMPLISHMENT, OF EXPERTISE AND ABILITY THAT HAS BEEN RECOGNIZED  
BY SENIOR OFFICIALS OF BOTH REPUBLICAN AND DEMOCRATIC  
ADMINISTRATIONS AND BY THE TOP PROFESSIONALS IN CIA OVER THE PAST  
TWENTY YEARS. IT IS A RECORD OF SERVICE, AND I SALUTE YOU FOR THAT  
RECORD AND FOR THE REPUTATION YOU HAVE ACHIEVED.

IN LOOKING AT YOUR RECORD IT OCCURS TO ME THAT IF YOU ARE  
CONFIRMED FOR THIS POSITION, WE WON'T HAVE TO SET ASIDE A PERIOD  
FOR YOUR ON-THE-JOB TRAINING. I AM CONFIDENT IN YOUR KNOWLEDGE OF  
THE BUDGETS AND STRUCTURES AND MISSIONS NOT JUST OF CIA BUT OF ALL  
THE AGENCIES THAT COMPRISE THE INTELLIGENCE COMMUNITY. YOUR RECORD  
SUITS YOU WELL, IN MY VIEW, TO LEAD THE REORGANIZATION AND

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REDIRECTION OF THE COMMUNITY THAT MUST COME OUT OF THE CHANGES THAT HAVE OCCURRED IN THE WORLD. AT THE SAME TIME, YOUR RECORD SHOWS STRONG EXPERTISE IN SOVIET AFFAIRS, A SUBJECT THAT WILL CONTINUE TO BE ESSENTIAL TO OUR SECURITY AS THAT COUNTRY CONTINUES ITS LONG-OVERDUE REVOLUTION.

YOUR RECORD ALSO INCLUDES SERVICE AS DEPUTY DIRECTOR FOR INTELLIGENCE AND AS DEPUTY DIRECTOR OF THE ENTIRE AGENCY DURING THE IRAN-CONTRA EPISODE. I MUST TELL YOU THAT THIS IS THE PART OF YOUR RECORD THAT TROUBLES ME THE MOST. I NEED TO UNDERSTAND WHAT INFORMATION WAS AVAILABLE TO YOU CONCERNING THE DIVERSION OF FUNDS FROM THE IRAN PROGRAM TO THE CONTRAS, WHEN YOU LEARNED OF THE DIVERSION, AND WHAT YOU DID WITH THE INFORMATION. FRANKLY, I HAVE DIFFICULTY BELIEVING THAT AN INTELLIGENCE OFFICER OF YOUR EXPERIENCE, SITTING IN THE NUMBER TWO POSITION IN THE AGENCY, COULD NOT HAVE KNOWN, BUT I WANT TO HEAR YOUR SIDE OF THE STORY.

IF, AS YOU HAVE SAID, YOU WERE EXCLUDED FROM THE EVENTS OF THAT EPISODE, I WILL NEED YOU TO HELP ME UNDERSTAND HOW THAT COULD HAPPEN AND WHAT LESSONS ABOUT MANAGEMENT AND LEADERSHIP YOU DRAW FROM THE EXPERIENCE OF BEING KEPT IN THE DARK ABOUT THESE ACTIVITIES. I WANT TO KNOW HOW YOU WILL USE THOSE LESSONS OF 1986 TO RUN THE AGENCY IN 1991 AND BEYOND. I WANT TO LEAVE THESE HEARINGS CONFIDENT THAT IF YOU ARE CONFIRMED AS DCI, YOU AND YOUR DEPUTY WILL NEVER AGAIN BE SIMILARLY ISOLATED FROM THE ACTIVITIES OF YOUR SUBORDINATES.

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YOU STARTED OUT AS AN ANALYST, AND ALTHOUGH YOU HAVE BEEN A SUPERVISER AND POLICY-MAKER IN THE LATTER PART OF YOUR CAREER, I BELIEVE YOU STILL TAKE PRIDE IN THE TITLE "ANALYST", AS WELL YOU SHOULD. THE HIGH QUALITY OF YOUR ANALYSIS OF SOVIET AFFAIRS IS PART OF YOUR RECORD. I THINK IT MAY BE ABOUT TIME THAT SOMEONE FROM THE ANALYTICAL SIDE OF THE COMMUNITY BECAME DCI. I HAVE BEEN DISAPPOINTED IN THE QUALITY AND RELEVANCE OF ANALYSIS IN RECENT YEARS AND AN ANALYST OF YOUR DISTINCTION IS EQUIPPED TO MAKE THE IMPROVEMENTS WE NEED. AT THE SAME TIME I RECOGNIZE THE SUB-CULTURES THAT EXIST IN THE COMMUNITY, AND SO I WILL WANT TO HEAR FROM YOU HOW SOMEONE WITH AN ANALYTICAL BACKGROUND CAN LEAD THE OTHER ELEMENTS OF THE COMMUNITY, ESPECIALLY THE OPERATIONS PEOPLE. I WILL WANT TO HEAR YOUR STRATEGY FOR GAINING THE SUPPORT AND CONFIDENCE OF ALL THE AGENCY'S PERSONNEL, INCLUDING THE OPERATORS.

I WILL ASK SOME QUESTIONS ABOUT HOW YOU PLAN TO DEAL WITH BUDGET REDUCTIONS, BECAUSE I SEE THEM AS INEVITABLE. FIRST, MONEY IS SCARCE AND GETTING SCARCER. SECOND, THE INTELLIGENCE COMMUNITY GREW LIKE TOPSY DURING THE 1980'S, TO THE POINT THAT YOU HAD TO CLONE YOUR HEADQUARTERS AND YOU STILL DON'T HAVE ROOM FOR ALL YOUR PEOPLE. LALLY WEYMOUTH TOLD US IN THE WASHINGTON POST LAST WEEK THAT THERE ARE NOW MORE THAN 800 SENIOR EXECUTIVES AT THE CIA. I CAN TELL YOU THAT THE INTELLIGENCE HASN'T GOTTEN ANY BETTER BECAUSE ALL THOSE EXECUTIVES ARE WORKING ON IT. IN FACT, IT HAS GOTTEN LESS USEFUL. SO I PREDICT THERE WILL BE MAJOR CUTS IN THE NOT TOO DISTANT FUTURE, AND I WANT TO HEAR WHAT YOUR PRIORITIES

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WILL BE IN ALLOCATING THOSE CUTS IN THE COMMUNITY.

FINALLY AND MOST IMPORTANTLY, I WANT TO SOUND OUT YOUR VIEW OF THE FUTURE. TO WHAT EXTENT SHOULD WE DIVERT COLLECTION ASSETS FROM THE FORMER SOVIET UNION TO OTHER TARGETS, AND WHAT ARE THEY? WHAT ARE THE EMERGING THREATS TO OUR NATIONAL SECURITY? HOW CAN INTELLIGENCE BECOME PART OF AMERICA'S COMPETITIVE ADVANTAGE IN THE TRADE WARS THAT LOOM AHEAD? WHAT MORE CAN INTELLIGENCE DO IN MEASURING ENVIRONMENTAL CHANGE, OR IN MONITORING THE PROLIFERATION OF WEAPONS OF MASS DESTRUCTION?

IT'S A NEW WORLD, AND I WANT TO HEAR HOW THE INTELLIGENCE COMMUNITY, WITH FEWER DOLLARS AND PEOPLE, CAN CONTINUE TO KEEP US FOREWARNED AND CAN INSURE THAT EVERY POSSIBLE ADVANTAGE IN THIS NEW WORLD ACCRUES TO THE UNITED STATES OF AMERICA. IT'S A TALL CHALLENGE, BUT IT'S ONE THAT MR GATES HAS AGREED TO TAKE ON.

I LOOK FORWARD TO MR GATES' TESTIMONY AND I THANK THE CHAIR.

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Senator HOLLINGS. And, Mr. Gates, it has been suggested that the Committee should be more interested in the future rather than what happened back in '85 and '86. I would appreciate the reliability and credibility of what you intend in the future if you can convince us of the reliability and credibility of what you stated in 1986. That was at the end of the marathon cat and mouse game between the White House and the Congress relative to Iran-Contra.

Everyone knew that aid was getting to the Contras down in Nicaragua. And Congressman Boland over on the House side put his famous Boland Amendments, one after another, first that you couldn't give aid, under that particular Defense Appropriations bill, to the Contras. Then seemingly, since it was reasoned that maybe it wasn't for the Contras, but really for our own intelligence, the prohibition was that you couldn't use the money for intelligence directly or indirectly in Nicaragua. That didn't catch them or stop it, and then they put another amendment on that you couldn't use the CIA directly. Any monies that were appropriated to the CIA would not be used for Iran-Contra.

Now you came on board at the end of this thing, but it was still ongoing, and before its exposure and in your confirmation as Deputy Director for Central Intelligence, you said, "Mr. Casey and I have consulted extensively," I am quoting, "consulted extensively even in my present position in all areas of intelligence policy, including, not just analysis and estimates, but also organization, budgeting, the requirements process, decisions of technical collection systems, covert action, Congressional relations, and the others. I will now have a formal role in all of these areas. Director Casey and I have discussed my forthcoming duties, and we intend to integrate our offices so that I will be involved in all areas of decision-making."

So the question is, with that pledge to the Congress, how do you not become involved in all areas, or specifically, Iran-Contra. As I understand, I have been told by several White House representatives that you are highly intelligent, and we know it. Of a high integrity, we know that. And yet, they said a person of that integrity and intelligence wouldn't dare come to this process if there was any vulnerability with respect to this question. I have yet to hear a good logical answer. You have Mr. Casey who said he knew nothing about it, we now know he knew all about it. Mr. North saying that he knew all about it, and Mr. North saying that he misrepresented to the Congress. And the two down underneath, Fiers and George, seemingly knowing something about it and you right in the middle and not knowing.

So I would like to know and the public would like to know about that specifically.

Secondly, with respect to the character and reliability of our own intelligence. I served on the Hoover Commission back in 1954 and '55, investigating the intelligence activities of the CIA and all intelligence of this government. And I can tell you categorically back then we found much better briefings, better information, produced by a staff of less than 800. Now, Lally Weymouth writes in the Washington Post that we have got over 800 supergrades, Senior grade pay employees. That caused me to put in an amendment here in this Committee to cut this blooming thing a couple of bil-

lion dollars, just to get it down to size. If I took over your job in the next 10 minutes, let's say, as the Director of CIA, I would want that kind of excuse or mandate, just to clean out, cut-back, and shorten somehow the actual field intelligence report to the analyzed report given us in Washington. Specifically, General Schwarzkopf said he couldn't depend upon it. He had to depend upon field intelligence, otherwise he would have never gone forward in the Gulf.

So we have got to do some cutting back there and we have got to cut out the over-analyzing. And in that light, finally, since you are the analyst, there is a tremendous difference between the field operative and the analyst and in fact I have found our field folks very, very reliable. I travel, I see, I go ask for the Agency representative as I travel. And as I talk to them, they are on the ball, they are up-to-date, they know what they are doing, but somehow it is not coming through to us here in Washington. And I want to know as an analyst who grew up on that side, how you intend to really instill the confidence and the enthusiasm and loyalty of the field operatives in the Central Intelligence Agency?

That will be one big task you will have at the very beginning, should you be confirmed. Keep these things in mind as we go forward with the questions.

Thank you Mr. Chairman.

Chairman BOREN. Thank you very much, Senator Hollings.

Next I will turn for his opening statement to Senator Cranston from California. Senator Cranston.

Senator CRANSTON. Thank you Mr. Chairman. I would like to join in welcoming Dr. Gates to the Committee.

I have known Bob Gates for a number of years, and while we have not always agreed on policy issues, I have found him to be a highly competent and qualified professional. It is a measure of his accomplishments that again he has been nominated to be Director of Central Intelligence.

There are a number of issues that must be aired fully before this hearing process is complete. The unsettling questions raised during Dr. Gates' nomination hearing in 1987 concerning his role and knowledge of the Iran-Contra affair must be put to rest to the best of our ability and the ability of Dr. Gates.

Other questions have been raised about whether the nominee distorted the content of intelligence analysis to promote preconceived policy questions, his role in the arming of Iran during the Iran-Iraq War, and other alleged actions. These are important questions. As I look around this Committee, I see a wealth of expertise, including yourself, Mr. Chairman, concerning the Iran-Contra affair. And I am confident these subjects will be thoroughly covered. But there are other non-Iran-Contra issues that are equally important as we consider the future roles, missions, and functions of U.S. intelligence. It is this area where I intend to focus much of my questioning.

There are two primary factors that will change the conduct of US intelligence activities. The end of the Cold War and a declining budget environment. It's become a cliché to say that the world is changing. It has changed. It changed dramatically as recently as a

month ago when we witnessed the aborted coup in the Soviet Union and the dramatic aftermath.

This raises important issues for the future of US intelligence. For decades, the Soviet military threat has been the central defining factor influencing US intelligence activities. That threat is rapidly fading. Indeed, perhaps it has already vanished. And US intelligence must respond to a world situation that is fundamentally different from what it has been for the past 50 years.

The questions are obvious and they are fundamental. What are the principal threats to national security with which US intelligence must concern itself. And to what extent is US intelligence postured for the responsibilities that lie ahead.

Ironically, in many ways we face a less predictable world. The growth in chemical, biological, nuclear and missile proliferation throughout the world attests to this fact. Terrorism and hostage taking are new threats requiring close attention. We must also redefine friend and foe. Closer cooperation with other countries is required. We must reassess the nature of our relationship with other countries.

The growth in the Intelligence Community since World War II, in terms of dollars and people, has been truly phenomenal. In the current budget climate, it is clear that US intelligence will have to get along with fewer resources. And it is important that the decisions made in this new climate are the right decisions. I believe there will be an inevitable down-sizing of the Intelligence Community. And I believe that while this process will inevitably be a painful one, it is nonetheless one that will create an opportunity for revitalization and renewal.

Budget constraints have a way of focusing attention on this question. What are the essential activities of the US intelligence service. At this critical junction in world history it is necessary that we search with great care for the wisest answer to that question.

This is a critical moment for the Intelligence Community. The individual nominated to serve as Director of Central Intelligence must have the judgment, experience, character, leadership and vision needed to chart the course for the Intelligence Community for the decades to come.

I have thought a lot about the task that the President faces in making appointments. I thought a lot about it when I was running for President. It seemed to me then, and it seems to me now, that the CIA Director is the most difficult post for a President to fill. It is totally different from nominating a Supreme Court Justice. That is an appointed power shared with the Senate and it's an appointment to a third branch of our government. Appointing the CIA Director is really different in a fundamental way from other appointments within the Executive branch that require Senate confirmation.

A President must have absolute, total confidence in the individual he chooses to run the CIA. If he doesn't, he can't be confident he knows what is going on. The President must have a close and a very intimate relationship with the CIA director. President Bush has that confidence in Robert Gates. President Bush has that relationship with Robert Gates. For that reason, along with the obvious qualifications of Robert Gates, I start out inclined to support his

nomination. Of course, I will reserve final judgment on the nomination until we have reviewed the entire record. It is my hope that this confirmation process will be comprehensive, thorough and constructive, Mr. Chairman, and I thank you for your leadership in seeing to it that that is the way we proceed.

Thank you.

Chairman BOREN. Thank you very much, Senator Cranston. I appreciate your comments. I am going to turn now for his opening remarks to our colleague from the State of Washington, Senator Gorton.

Senator Gorton.

Senator GORTON. Thank you Mr. Chairman. The world is an especially fluid and challenging place today. Yesterday's status quo is history today and an anachronism tomorrow. Five years ago, who would have predicted that communism would end so abruptly? Or that the Soviet Union could fracture into a dozen or more independent nations in all possibility? The triumph of the United States in the Cold War and of democracy and free markets as a way of life to be sought everywhere, simply presents us with new challenges and problems which have never been more varied and complex.

Intelligence will play a central role in addressing successfully many riddles facing the United States. In battle, intelligence is called a force multiplier. It is the equalizer for the overmatched, the insurance for the strong.

Today, we face many challenges and need as never before a force multiplier. Even with the experience, knowledge, vision and leadership we already possess, accurate information will be the key to success. That is the role of intelligence—to be stars for the sailor and to assist the leaders of our nation in navigating treacherous seas.

The Intelligence Community will face innumerable challenges during the next decade. The once dominant Soviet threat has receded but has been succeeded by a mixed bag of concerns. More nations are capable of building and delivering nuclear, biological and chemical weapons today than ever before. International conflicts may be diminishing, but the potential for domestic unrest, and internal conflict in both the second and third worlds is perhaps even greater.

Narcotics continue to plague societies throughout the world, destroying lives and controlling governments. Terrorism is a continuing menace. And finally, economic espionage is becoming a more common topic of concern within and between governments.

To meet all these perils, the Intelligence Community must adapt. As much as anything though, the reality of changes at home will alter our intelligence gathering network. A shrinking budget necessitates change and with fewer dollars, our next DCI will be expected to do more. At the same time, a cumbersome intelligence organization must reorganize and restructure to become a more efficient, streamlined machine.

Finally, as Mr. Gates knows only too well, our intelligence must be more focused and responsive to the needs of its consumers—military, political and otherwise. These demands will surely test our next Director of Central Intelligence.

Mr. Gates, your record as a government servant is long, distinguished and commendable. Your devotion to public service is clear. You have served five Presidents, Republican and Democratic alike, in a wide selection of posts. You have been recognized publicly and by your peers as one of the best analysts in the intelligence business. Twice you have received the CIA's highest honor. Predictions you made years ago have been justified by events. You have experience as an analyst and a consumer and would be the first analyst to rise to DCI.

You have worked closely with both the Executive branch and with Congress and always have stood up for what you believed. Clearly, you have the experience to be DCI.

Mr. Gates, as I am sure you know, I once came back from a disappointing political defeat. After considerable introspection, I returned wiser, I hope, with a greater understanding of my convictions and goals as well as of my role in this world. Like you, my return was undertaken for and rooted in a love of country. Your love of country, your enthusiasm for this job, are reflected in your willingness to subject yourself to the rigors of this hearing process and to seek confirmation a second time.

Welcome, and good fortune.

Chairman BOREN. Thank you very much, Senator Gorton.

Now to turn to our colleague from Ohio, Senator Glenn. I might indicate also that Senator Glenn has the responsibility of chairing the Government Operations Committee and in that capacity has worked closely as a Member of this Committee on a number of legislative items including the creation of the position of a statutory independent Inspector General at the CIA. So he has been very much involved in the work of this Committee.

Senator Glenn.

Senator GLENN. Thank you, Mr. Chairman.

Because Congressional oversight of intelligence must necessarily be conducted in the black box of secrecy, a unique burden is imposed on this Committee. We serve as surrogates not only for the Senate as a whole, but for the American people as well.

As members of the U.S. Senate, we are subjected to a confirmation process before the electorate every six years—and it is a rigorous and thorough process.

As representatives of the American people, we have an obligation to be just as rigorous and thorough in our assessment of Presidential nominees for positions of high public trust. Of the more than 1,000 positions in the Executive branch requiring Senate confirmation, there is no higher position of public trust than that of DCI—the custodian of our nation's secrets.

I was not a member of the Senate Select Committee on Intelligence when Mr. Gates was a senior official at the CIA, nor was I on this Committee four years ago when Mr. Gates' nomination for DCI was being considered. So I approach these hearings with no preconceived notions about Mr. Gates, or his suitability for this position. I will make up my mind about this nomination after the confirmation hearings have concluded.

Our Committee's consideration of this important nomination comes at an extraordinary time. For almost half a century, America's foreign policy, defense, and intelligence infrastructure have

been focused primarily on the Soviet threat. During this period, we have viewed most national security issues—justifiably or not—through that narrow prism of the U.S.-Soviet competition.

This can no longer be the case. With the overwhelming rejection of Communism in the Soviet Union and elsewhere, the dissolution of the Soviet empire, and the forces of democratic reform flourishing in the Soviet Union in the wake of the recently failed coup attempt, America's national security bureaucracy must be prepared to come to terms with a rapidly changing world. And having a robust and effective Intelligence Community is the most important means to attain that end.

Indeed, timely and accurate intelligence forms the foundation of our foreign policy and defines the threat to U.S. national security that is the basis of our defense spending. The need for intelligence collection assets to monitor rapidly changing developments within the Soviet Union remains significant. Because like it or not, the Soviet Union is the only power in the world right now which poses a potential direct threat to the United States. Their missiles are still in silos targeted at the U.S. I am not saying we have the same threat now as we did in the past, but it is something that we must continue to monitor. For instance, do we know what kind of control the Soviet central authority has over their nuclear weapons?

We must also focus more attention on other areas of concern, such as the proliferation of weapons of mass destruction—such as chemical and biological weapons—what's been referred to as "the poor man's nukes." More intelligence resources must be targeted at trade, foreign economic developments, environmental change, drug smuggling, terrorism, low-intensity conflict in the Third World, and the illicit export of high-technology items. That is really the future of our Intelligence Community.

Yet with the decline of the Soviet threat, some have argued that it is safe to decrease the intelligence budget and significantly reduce our intelligence capabilities. And some have even suggested that the CIA is a Cold War relic which has outlived its usefulness, and we should do away with it. I strongly disagree with such views. In this unprecedented time of enormous change and uncertainty in the world, our need for the CIA and a robust intelligence budget is greater than ever before. As we reduce our military strength over the next few years, the need for a substantial intelligence base has increased. Because if we ever have to expand our defense again, then we need to do it from the best information and intelligence base possible. We need to reorganize intelligence, as has already been mentioned this morning, but not just cut intelligence on the misguided basis that we no longer need intelligence around the world.

So I am anxious to hear Mr. Gates' views on these matters as well as learning where he intends to lead the U.S. Intelligence Community.

Also of great interest to me are the nominee's views on the importance of Congressional oversight and the need for accountability of the CIA and the rest of the Intelligence Community.

In his response to our Committee's questionnaire, Mr. Gates stated: "Accountability, with respect to adherence to the law, relevant Executive Orders, guidelines, and regulations, as well as effec



tive management and performance is, in my judgment, the fundamental purpose of Congressional review of intelligence activities." Mr. Gates, I strongly agree with that statement. I am convinced that the confirmation process is a constructive means of demanding that kind of accountability. It enhances public and Congressional confidence in the senior leadership of the CIA.

Because of my belief in the need for accountability, I, along with Senator Specter, introduced a Senate Bill, S. 1003, legislation which would require Presidential nomination and Senate confirmation of the CIA's General Counsel and the five Deputy Directors of the CIA. Now, let me hasten to add this was not an effort to politicize the CIA—it is exactly the opposite. It is an effort made to do everything possible to make certain that CIA operates without political bias and without fear or favor in making intelligence assessments out at Langley. We want to avoid appointments made solely for political purposes. The CIA should be the last place in our whole government where we do such things. And that's the purpose of this legislation.

And so I am anxious to hear Mr. Gates' views on this proposal to enhance CIA's accountability. I would also note that this Committee will conduct an open hearing on this legislation on September 26th, next Thursday at 2:00 p.m. in this room.

Also of concern to this Committee will be its assessment of the nominee's commitment to the integrity of the intelligence process. There are few greater shortcomings in an intelligence officer than "cooking the books"—deliberately distorting or misusing intelligence information and analysis in order just to please policymakers or superiors in an organization.

Intelligence collection systems are extraordinarily expensive. Human intelligence sources even place their lives on the line. But if the data collected by these systems is not fairly and thoroughly analyzed and presented to policymakers in an objective and a balanced manner, these systems become virtually worthless, and the intelligence process becomes nothing but a sham.

This Committee must determine whether Mr. Gates, by his past conduct as a senior CIA official, is committed to the integrity of the intelligence process and is sufficiently independent of policymakers.

The Committee is also compelled to examine Mr. Gates' involvement in the Iran-Contra affair. The errors and misjudgments made by senior officials at the CIA during Iran-Contra were deeply damaging to the Agency's credibility morale, and overall effectiveness. And I am firmly convinced that it will be difficult for the CIA to fully restore its credibility and effectiveness in the near term unless it is able to successfully place Iran-Contra in the past once and for all.

Recent indictments of former CIA officials and the on-going investigation of the Special Prosecutor raise continuing concerns about what senior Agency officials knew and didn't know about the Iran-Contra affair, and whether there was deliberate misleading of the Congress.

These uncertainties could remain for months, if not years. This Committee must certainly review Mr. Gates' involvement in the Iran-Contra affair, and ultimately determine whether he is the

right person to place Iran-Contra in the Agency's past, as it must turn to confront a challenging future.

Thank you, Mr. Chairman.

Chairman BOREN. Thank you very much, Senator Glenn.

The Chair now recognizes for his opening comments the Senator from New York, Senator D'Amato.

Senator D'AMATO. Thank you Mr. Chairman. Let me welcome Bob Gates to the hearing. So that we might have an opportunity to hear him some time today, I'm going to ask that the full text of my remarks be placed in the record as if read in its entirety.

Chairman BOREN. Without objection.

[The opening statement of Senator D'Amato follows:]



16 September 1991

Senator Alfonse D'Amato

Opening Statement

Select Committee on Intelligence

Confirmation Hearing

on

Robert M. Gates

Mr. Chairman:

This Committee seldom has the opportunity to give its advice and consent to the President's nomination of a Director of Central Intelligence. Mr. Robert M. Gates comes before us now for the second time as a President's selection to be DCI, this nation's senior intelligence official.

Our responsibility in the confirmation of intelligence officials is substantial, both because so few require confirmation and because the work they do is so important to our nation. Also, their work, by its nature, must be secret to be successful, so they are free of much of the daily public scrutiny other government officials must face. We, on the Intelligence Committee, must be doubly watchful to make certain that high intelligence officials are managing well those under their authority, and that their organizations are engaged only in properly authorized activities.

I support confirmation of Mr. Gates as Director of Central Intelligence, unless our confirmation hearings should reveal disqualifying information. I stress that, at this time, I am not aware of any information that I would consider disqualifying, and I do not expect that any such information will come to light during these hearings.

While some of my colleagues will use these hearings to replot old ground, I am most interested in learning what Bob Gates' views are on the future and how the United States' intelligence agencies should be preparing to meet it. We face such issues as the end of world communism as we know it, the end of the Cold War, the upsurge in narcotics trafficking and in associated narco-terrorism, general political terrorism, low-intensity conflicts, the proliferation of weapons of mass destruction, and economic competition.

I am also interested in Mr. Gates' views on his relations with Congress. What does he think about Congressional oversight of intelligence? To what extent will he cooperate with this Committee's oversight activities?

This Committee last year began an initiative to review the structure of the U.S. intelligence community and to reorganize it to increase its efficiency and decrease its cost. This initiative is even more important now, in light

of recent revolutionary change in the Soviet Union. I want to know what Bob Gates thinks about the structure of U.S. intelligence, what its priorities should be, and what savings can be found for the taxpayer as a result of these dramatic changes in the world.

As Senators, we again face the question of what standard to employ to decide whether or not a President deserves confirmation of his nominee to a very important post in his Administration. In my view, the proper standard is that a nominee should be confirmed if he or she is qualified for the position for which he or she is nominated. The question of qualification should be decided upon the basis of the nominee's character, integrity, experience, education, and past performance. A nominee should not be confirmed if substantial, credible disqualifying information is found.

What does this mean? Disqualifying information is not proof that the nominee holds policy or ideological positions contrary to mine. Neither is it evidence of small errors of judgment in personal or professional matters. It certainly is not evidence that a nominee took controversial positions in good faith on certain issues.

Disqualifying information is negative information that bears upon a nominee's character, integrity, or competence so strongly that, when weighed against the totality of the

nominee's personality, career, and accomplishments, it casts serious doubt on the nominee's ability successfully to perform the duties of the office to which he has been nominated. This is the standard I will employ in judging the allegations against Bob Gates.

As an attorney, I learned that one of the basic tests of a proposition is to assume it to be true and then ask, "what difference does it make?" At the outset of these hearings, I have reviewed the allegations against Bob Gates. Without prejudging the outcome of these hearings, I find that some of the allegations fail this simple test. Even if they were true, they would not be disqualifying.

There are some serious matters that require clarification. Bob will be probed hard on a variety of issues. I am confident that he will have good answers to the questions he will be asked and, at the end of it all, I am confident that I will feel comfortable voting for his confirmation.

Thank you, Mr. Chairman.

Senator D'AMATO. I would like to make one observation. I think Senator Glenn touched on something that is most important. I'm interested in learning what Bob Gates' views are on the future and on how the U.S. intelligence agencies should be preparing to meet the challenges of the future.

I want to know what he thinks about the structure of U.S. intelligence and what its priorities should be. And I share Senator Glenn's concern that there are some who believe that this is an opportunity to cut back on our intelligence efforts. I'm concerned about that. I want to hear the prospective new Director's views.

I think Bob Gates will be confirmed, I intend to support him, barring unforeseen developments, and I'm confident that Bob is going to be able to answer the tough and probing questions that are going to be put to him.

But I'm most concerned about his views where we should be going and what our emphasis should be on. Also, with some particularity, I wonder if we can afford to make the kinds of cuts that some have suggested. Is this the time to cut back on our human intelligence efforts? Is there a need to expand upon them, given what I would characterize as poor performances in certain areas? The collapse of the Soviet Empire, the Middle East and the fact that it seems that in many cases, like the Iraqi situation, that we're behind the curve. The fact that we've heard on this Committee and from each and every Member, time after time, that we don't have the HUMINT resources, that we get the technical equipment but we don't have people in place to give us the kinds of insights that are most necessary.

What does this portend for the future? What about the poor man's A-bomb, chemical and biological weapons? What do we know about the kinds of problems that will emerge from these unstable areas? So that's what I hope we could be focusing on.

I thank the Chair.

Chairman BOREN. Thank you very much, Senator D'Amato.

And now I'll turn to the Senator from Arizona, Senator DeConcini, for his opening comment.

Senator DECONCINI. Mr. Chairman, thank you very much.

Mr. Gates, I'm sure you're wondering how long this torture will go on. But I think it's important to note the interest of this Committee, that so many Members are here, number one, and want to express to you their confidence, their quandaries, their questions about you, but indeed their respect that they have for you.

I first want to commend the distinguished Chairman, Mr. Boren, Senator Boren and also the Vice Chairman, Mr. Murkowski, for their tireless efforts to ensure that each of us on this Committee had a voice in the process of putting together these hearings. I appreciate that immensely, Mr. Chairman, Mr. Vice Chairman. The process is important and though it's laborious at times and may be right now most laborious, in my judgment it has been fair and will be a fair hearing, and Mr. Gates will have an opportunity to clear the air, perhaps once and for all regarding all these questions that have been raised.

I was one of the Senators on this Committee who took great exception to President Bush's criticism of the Committee for the handling of the nomination. I believe the President's statement that

was something to the effect, and I believe it's correct, quote, "They," meaning us, "ought not to panic and run like a covey of quail because somebody has made an allegation against a man whose word I trust," was truly out of line.

I trust Mr. Gates' word. He's going to be under oath and I have no reason to doubt what he tells us when he tells us. The President needed only to review the stacks and stacks of documents and testimony that I've looked at involving Mr. Gates and other CIA personnel, to understand the enormous task faced the Committee in its efforts to provide Mr. Gates with a fair hearing.

I understand the importance of this position to the President. I realize his confidence in you, Mr. Gates, is unsurpassed, and that to me bodes very well for your confirmation. I start from a presumption favoring nominees sent by the President for our confirmation process, because I know that he would not purposely, any President, send someone who is unqualified.

But here there are allegations, lingering ones, maybe unfair ones, but that's what the process is all about. In the end, I think the delays somewhat rest with you, Mr. Gates, in that you can't help it but with these allegations hanging out there, there had to be ample time to review them and to prepare. For you and for Members of the Committee and the staff.

Your involvement or non-involvement perhaps in the Iran-Contra scandal has been touched here numerous times. The accusation of the politicizing of intelligence reports, the President's strong view in his own autobiography about, biography rather, about non-politicizing the reports. Your statements that I've read over the years of the importance not to do that, the sharing of information with Iraq, the numerous issues that have been brought to the attention to the Committee must be gone into.

It is Mr. Gates memory loss that has this Senator concerned. Meetings, briefings, conversations that led to some of the delay. It has been this lack of memory, Mr. Gates, that fact that you could not remember meetings and what have you, but I understand that, time passes and you're a busy man, you have been deeply involved in other national security efforts and briefings of the President and perhaps the time will work in your benefit to be able to pursue and to explain to us some of these discrepancies.

I find it hard to believe that an individual who personally said five years ago that Director Casey and I have discussed my forthcoming duties and intend to integrate our offices so that I, meaning you Mr. Gates, will be involved in all areas of decisionmaking, and that you could not know or care to know about critical issues that those above and below you were will aware of. I think that is the opportunity, Dr. Gates, for you lay the record clean and to convince us. I believe you can do that, based on your past experience. I've had numerous calls from members of the Administration who I have had a working relationship with and great respect, complimenting you. I was in Boston last night came across Cardinal Law who is a big fan of yours. And he said don't forget my friend Bob Gates. And I don't know how well you know him, but those are the kind of people you have speaking up for your integrity and ability.

You have an opportunity to be totally truthful and to demonstrate what your leadership qualities are going to be. The Director

of the American Intelligence Community in the 1990's, I can think of no more important job for the well-being of this nation and of course the advice to the President and others in the Cabinet.

In addition to the Iran-Contra issues that will be focused on this week, I plan to question you, Mr. Gates, on accusations that have been brought to the attention of this Committee concerning the politicization, your efforts in the area of the Papal paper and background, done in 1985, I believe.

I have no hidden agenda or any bombshell I intend to lay upon you. These are questions. I think you can probably explain the BCCI and the sharing of intelligence with our "allies" as temporary as they may be.

And finally, I need to know how you, Robert Gates, would streamline and make more efficient an Intelligence Community that I believe needs real strong leadership at this particular time. When I look at the U.S. Intelligence Community, it reminds me of the U.S. auto industry at the start of the 1980's. The next Director of the CIA is going to have to restructure and to make some very difficult decisions in this Senator's judgment. These Committees that oversee the CIA can play an important role and your past statements regarding oversight is very encouraging. I don't think there is anybody on this Committee who wants to be destructive in our oversight.

But there are legitimate questions as to what the CIA does with its taxpayers funds and what do we get from it. I look forward to the testimony that you're about to give. I'm hopeful, that you, Mr. Gates, that your memory has improved since the last time you appeared before the Committee in order to sufficiently address the many unanswered questions that hang over this nomination.

In this Senator's mind we have an extremely bright and capable man that has the confidence of the President and that is very important and will influence this Senator. Nevertheless, you must answer questions which have been raised regarding the lack of judgment and leadership in order to be considered for the Director's position. I have an open mind. I've not decided how I'm going to vote and the presumption favors you at this moment in my mind. But I do have questions that I'm sure you will address. Thank you Mr. Gates and thank you Mr. Chairman.

Chairman BOREN. Thank you very much, Senator DeConcini.

Senator Metzenbaum was there at the beginning of these hearings this morning. He also has responsibilities in the Judiciary Committee at this moment in the confirmation hearings and proceeding there. He's rejoined us and I recognize the Senator from Ohio for his opening comments.

Senator METZENBAUM. Thank you very much, Senator Boren, and I do want to apologize to my colleagues whose opening statements I didn't hear and also indicate to you that my failure to be here full time is not from a lack of interest, but I don't have a split personality that can be at two Committees at the same time.

Mr. Gates, as you know, I have expressed misgivings about moving forward with this confirmation process today. While I am sure that both you and the President feel strongly that you have waited long enough, I honestly feel that we are gathered here prematurely.

Nevertheless, we will proceed to ask questions and to seek answers. But throughout, I believe we will be hobbled in our efforts because I know that there is and will continue to be a body of information to which we have no access. I am referring to files and records of the ongoing Special Prosecutor's investigation.

You are a subject, but not a target of that investigation, as I am informed. I am not suggesting that the prosecutor's files include information which, if known, would persuade us to vote against you. I don't know that to be the case. I simply believe that in order for the Members of this Committee to make an informed and well considered decision in voting for or against your nomination, we should know all the facts.

The Special Prosecutor, Mr. Walsh, has now spent several years investigating the activities stemming from our country's illegal involvement in Iran and Nicaragua. That involvement was first revealed to the people of this country in November 1986, while you were Deputy Director of Central Intelligence. Mr. Walsh considers your role in those activities to be worthy of inquiry. His office has so far brought indictments against two CIA officials who reported to you, at least one of whom I understand we will be questioning in the course of these hearings.

Your superior at the CIA, the late Mr. Casey, was also deeply involved in those illegal activities. I am frank to say to you that many of us wonder how, in an organization whose motto boasts "know the truth," you, as a top official, could know so little of it. The CIA's very mandate is to gather and analyze information. You were well trained to carry out that mandate. Now we are left to believe that you failed in that responsibility. You failed to know what everyone around you knew so well.

You have also said you didn't want to know. The questions raised by these circumstances are painfully obvious. You were the number two official in the CIA at the time of Iran-Contra. Number one, Director Casey, knew and perhaps engineered the affair. Number three, Clair George, knew it was happening when it was happening. At least one CIA official who reported to Mr. George knew as well. Mr. Dick Kerr, who was at the time Deputy Director for Intelligence and is now Acting Director of the CIA, says he told you of suspicions about illegal activities months before they were revealed.

You were absolutely surrounded by the truth. The question is: How could you possibly not know? As you were the number two man at the Agency, willful ignorance is inexcusable. Perhaps we will learn the answer to this improbable puzzle when you testify and in the course of these hearings. I hope so. I hope you offer us a cogent and believable explanation for why or how Robert Gates could be unaware as the CIA and members of the National Security Council staff defied stated US policy on Iran, broke laws restricting their activities in Central America, refused to inform the Legislative branch of this government, and then lied to Congress and grand juries seeking to learn the truth about those activities.

If you can satisfy me with an explanation as to how you didn't know, why you didn't want to know, I expect I will vote for you.

I must admit, however, that I am skeptical about your ability to give us such an explanation, because you seem to have great diffi-



culty in recalling events. And this is particularly disturbing. In the written questionnaire you completed for this Committee this summer, I counted no fewer than thirty-three instances in which you failed to recall your role in Iran-Contra related events.

Mr. Gates, you are a very intelligent man. Your failure to recall the answers to thirty-three questions posed to you by this Committee frankly is not credible.

I hope your memory improves during the course of these hearings, and I notice Senator DeConcini also mentioned that point.

Additionally, there are certain events that we haven't asked you about, simply because we only learned about them in the wake of recent indictments brought by Mr. Walsh's office. Over and above this failure to recall, more than 40 of your answers were not that you didn't recall, but that you never knew. Or better stated, that you never sought to know. For example, I understand that you never reviewed Oliver North's notebook pages which refer to you on several key dates. Frankly, that's hard to understand and difficult to believe. Oliver North's trial could not have had more public attention. The notes were available if you would ask to see them. It's unbelievable that you would not have made an effort to review that portion which referred to you. It suggests an unwillingness to learn the facts as reported by Oliver North to himself in his own diary.

Furthermore, when the Committee asked you questions about references to you in Oliver North's notebooks, your answer was that you had never seen the notebooks. Whether or not you had seen the notebook pages before the Committee submitted its questions to you, why didn't you look at them when you received our written questions? It would have been the logical and straightforward approach.

Now, Mr. Gates, our questions will not be limited to your role in Iran-Contra, or even to other CIA activities under your watch that people have alleged were against U.S. laws. I will also have questions regarding the future of U.S. intelligence. For example, we now find ourselves with an intelligence service largely designed and developed to combat an enemy which may no longer threaten us. You came up through the ranks of the CIA as an analyst whose expertise is in Sovietology. In today's world, that may have the equivalent currency of a U.N. interpreter specializing in Latin: intellectually fascinating, but all but useless in a practical sense.

We will want to hear how you plan to re-tool U.S. intelligence to deal with a newly drawn map with many more countries, and a foreign policy with new and different challenges. I want to know what your views are on the limits or far reaching intent of economic intelligence. I would ask how you would acquire it and protect it so it would not benefit one American company over another. We will also want to hear about your efforts and intentions to preserve the integrity of the intelligence estimates and other analysis produced by the Agency. As you know, we base much of our foreign policy decisions, as well as covert operations, on this type of intelligence information; and the purity and objectivity of this analysis should be above reproach.

I was interested to read in the morning paper that the Chairman has indicated he believes that the intelligence budget can be cut. I

will look forward to hearing from you as to your views on that subject and, if you agree with him as to the manner in which you would cut it.

I want assurances that the highly qualified CIA experts writing intelligence estimates and reports—those men and women who decipher Middle East factionalism, make projections on power shifts in Africa, monitor the tumult generated by the collapse of the Berlin Wall, interpret flutters in the Bamboo Curtain, and catalog the erratic climate in the nations to our south are allowed to evaluate data in the most informed and impartial environment possible.

I will want you to resolve questions that have arisen suggesting that in the past, analysis was influenced by partisan politics, or tailored to correspond with policymaker objectives or to conform to your personal biases.

In short, Mr. Gates, we will want to know how you intend to run the shop. And to help us to make that determination, we will want to examine the manner in which you carried out your duties as the head of analysis, as Deputy Director, and as Acting Director at the agency which the President now wants you to head.

The position of Director of Central Intelligence is one that affects every American. The Director's decisions on analysis and on covert and clandestine operations can vitally affect U.S. foreign policy. The Director's decisions on intelligence operations directed at Americans can potentially affect the freedoms of each of us. And no matter how well this Committee does its job, the vast majority of these decisions will be made with no Congressional input and often without our knowledge.

So our decision on whether to recommend confirmation of this nomination is a crucial one. We cannot shirk this duty and we will do the American people a great disservice if we take this step thoughtlessly or based on incomplete information.

Thank you Mr. Chairman.

Chairman BOREN. Thank you, Senator Metzenbaum.

I might say that just for information for those involved today that it would be my intention to next recognize Senator Bradley for his opening comments and then Senator Moynihan. After that we will have an introduction of the nominee by the Senators from his home state, and then it would be my intention to hear the opening statement of the nominee before we recess. We will commence again later this afternoon.

The final opening statement by a member of our Committee will be given by the Senator from New Jersey, Senator Bradley.

Senator Bradley. Thank you very much Mr. Chairman, and let me thank you for your continuing effort to make sure that we get all the information from the CIA and the intelligence agencies that we need in order to do a thorough job pursuant to our constitutional responsibilities. We are still waiting for some information and I know you are actively pursuing that and I hope that we'll be able to get all the information so that we may make a judgment.

Let me welcome Mr. Gates to the Committee once again and let me begin by saying that I think these hearings are not just an occasion to re-examine Mr. Gates' role in Iran-Contra. In other words, what he knew, when he knew it, why he didn't find out more sooner and what he did or did not do as a result. These hear-

ings are an opportunity to open new debate on the future of the role of intelligence in protecting not just American interests against foreign dangers, but also U.S. taxpayers against unneeded defense spending.

The U.S. Intelligence Community annually spends many billions of dollars and employs tens of thousands of people to avoid the cost of false alarms while keeping us alert to the real dangers. The DCI leads the Intelligence Community, manages its vast resources and advises the President and the Congress on these critical issues. That is why we have to appraise Mr. Gates' past record as CIA's former Deputy Director for Intelligence, former Chairman of the National Intelligence Council, former Deputy and Acting DCI, and as the current Deputy Assistant to the President.

We have to appraise all these to ensure that he meets high standards of integrity, judgment and leadership. In addition to Iran-Contra we have to evaluate his performance on the two issues that have been central to American security in recent years, the Soviet Union and Iraq.

But based on our past investigations, the moment needs to go to Iran-Contra. The Iran-Contra scandal began with an error of judgment. In 1985 the National Intelligence Council which Mr. Gates headed produced a badly flawed estimate that overestimated Iranian vulnerability and provided the Administration with a strategic rationale to help Iran get arms. A few months later the CIA gave unauthorized support to covert Israeli shipments of U.S. arms to Iran. When Mr. Gates found out about them afterwards, he not only failed to object but also neither reviewed nor disclosed them to the congressional oversight committees for a year. Moreover, during the summer of 1986 he ignored growing signs that profits from selling arms to Iran were being diverted to the Nicaraguan Contras contrary to law. Despite his promises to supervise and report all covert activities, he was instrumental in misinforming the Senate Committee about the CIA's role in this scandal.

The Committee will have to decide whether these lapses of judgment were isolated mistakes or part of a pattern in which Mr. Gates tailored intelligence to suit policymakers or his own biases; failed to prevent, protest, or at least warn of improperly authorized activities; or even suppressed damaging information.

The reason these questions—whether isolated incidents or a pattern—is important to decide is because upon confirmation, the Director of Central Intelligence disappears behind a veil of secrecy, accountable to the public only through the congressional oversight committee. If we confirm someone whose past lack of candor has hidden poor judgment and his own failure to exercise leadership, how can we be confident that the CIA will do a good job under his direction in the future? That is a basic question in these hearings.

Assuming Mr. Gates satisfies the Committee on Iran-Contra, I think he must still explain his persistent overstatement of Soviet strength and insufficient attention to Iraqi threats. His weak record on these crucial issues raises questions about his strategic judgment.

First, the USSR. Mr. Gates' slowness to recognize the powerful movements toward democratic and nationalist revolutions in the former Soviet Union is cause for concern—especially in view of the

data and insights he was getting from intelligence analysts. While he might be excused for belittling the fundamental changes taking place as early as 1986, it is hard to excuse his blindly fatalistic view in 1988 that, in his words, "The dictatorship of the Communist Party remains untouched and untouchable" or that, in his words, "a long competition and struggle with the Soviet Union lie before us." Today, both the Communist Party and the former Soviet Union are rapidly fading into history. There is no question that Mr. Gates got it wrong. The question is why.

The Committee has to decide whether such mistakes were truly impartial errors of judgment or the result of systematic biases to support the bloated defense budgets of the 1980's.

For instance, in November 1986, he publicized highly alarming estimates of Soviet strategic laser developments and warned that, in his words, "The failure to proceed with an American strategic defense would hand the Soviets a unilateral military advantage of historic consequence—with awesomely negative implications for strategic stability and peace."

This was simply a false alarm. Yet, it supported a costly and fruitless quest for wonder weapons and squandered resources that would have been better spent, for example, on ensuring that Patriot missiles were improved to knock out all SCUD warheads in case of conflict in the Persian gulf. These and other alarmist messages about the Soviet Union that Mr. Gates publicized during the 1980's were embodied in intelligence estimates that he provided to policymakers serving two Administrations.

Now, let's turn to Iraq. In the mid-80's, even as the Iran-Contra operation was playing out, the U.S. tilted more and more forcefully toward Iraq. The things that we know that are on the public record are the following:

The Reagan and Bush Administrations approved \$1.5 billion in export licenses for dual-use items, in other words, items that had military applications such as helicopters, not unlike the ones used to invade Kuwait, or equipment that could be used and could help the Iraqi nuclear program.

Two, muffled criticism of Saddam Hussein's gassing of the Kurds.

Three, hundreds of millions of dollars in EM-IM and agricultural loan guarantees.

And then in 1989, the Bush Administration opposed naming Iraq a terrorist state and when Congress did so, the President waived the restrictions on agriculture and EX-IM credits.

In this atmosphere of cozying up to Iraq and remaining fixated by the Soviet specter, Mr. Gates did not refocus sufficient intelligence resources on the emerging Iraqi threat. Specifically, after Iraq routed Iran unexpectedly in 1988, it clearly increased its military advantage over all its neighbors and intensified its pursuit of technology for strategic and nuclear weapons. Notwithstanding these danger signs, Mr. Gates did far too little to ensure that U.S. policy would be well informed of Iraqi strategic activities, including ballistic missiles and weapons of mass destruction—the development of both.

As a result, when Saddam Hussein began making more belligerent and specific threats against Kuwait in 1990, the Administration had no good alternative to the unreliable reassurances of Arab offi-

cials whose interests differed from ours. Fortunately, this failure of intelligence was not catastrophic for the United States, but only because Saddam Hussein had provoked the U.S. prematurely, before he had acquired an effective chemical or nuclear deterrents. Enemy stupidity is not a reliable substitute for astute guidance.

In addition to Mr. Gates' role in the Iran-Contra scandal and his role in failing to refocus U.S. intelligence resources to the emerging Iraqi threat, his involvement generally in U.S. ties with Iraq since 1985 also needs to be examined critically. These ties include not just direct official relationships between governments, but also connections that were the responsibility of the CIA to monitor and to maintain. Indeed, unless all his activities in this regard were authorized under law, I would seriously question his candor and commitment to upholding the law, and therefore his fitness to serve.

We have been pleasantly surprised by the early endings of the Cold War and the Persian Gulf War, but more diverse challenges to our security and new opportunities to support democratic change in the world lie on the horizon. The basic question is does Mr. Gates have the record, the vision and the independence needed to revamp our Intelligence Community to address these new questions? The floor will be Mr. Gates'; he will either answer those questions to the satisfaction of the Committee and the American public, or he won't.

Chairman BOREN. Thank you, Senator Bradley. Senator Danforth has been able to join us from responsibilities in another Committee. Senator Danforth, we would be glad to receive your opening statement or any opening comments you would like to make at this time.

Senator DANFORTH. Mr. Chairman, thank you very much. I am tempted to ask the witness what his position is on the Clarence Thomas nomination but I won't do so.

Mr. Gates, I join my colleagues in welcoming you to these confirmation hearings. You are very well known to this Committee and to many Members of the Senate as a man with an excellent record of service to our country.

Since your nomination by the President, most attention has been focused on your knowledge of and testimony about the Iran-Contra affair. That, of course is the threshold question which will be addressed by the Committee. But I hope that question does not obscure the more global concerns of where we are heading in a post Cold War era and the ability of our Intelligence Community to relate comprehensive analysis to policymakers in an objective manner.

One of the things for which you are well-known is your skeptical view of change and reform in the Soviet Union. You have been known to be the Administration's resident pessimist on the prospects of reforms over the past five years.

But even when minds don't readily change, times change, and times have never changed more rapidly than in the past two years.

For 45 years, America and its allies have been competing head to head with the Soviet Union. We believed that it was a competition of military might, pitting missile against missile, division against division. Military competition consumed our attention and our

budget. In the end, it turned out to be a contest not between armies, but between ideas.

A free political system was pitted against a totalitarian political system. A free market economic system was pitted against a centrally planned economic system. And our side won.

We should have seen the victory coming years ago. Germany was the great test case. One country defeated in war, divided in half and acting as two huge laboratories testing the theories of freedom and of Marxism.

The free world was not a judge in that contest. The judges came from Gdansk and Leipzig and Budapest and Prague. From Moscow and St. Petersburg. One after another, they pronounced their verdict. Communism was a failure. Communism did not work and could not be made to work. Communism had lost and freedom had won. All of this has happened in the past two years.

After World War II, America led the redevelopment of the free world. We did it initially through Marshall Plan growth, through international institutions like the World Bank and the IMF, by encouraging the free and open system of trade, and ultimately by becoming the most powerful engine of economic growth in history. We also did it by adopting a policy of containment, by creating NATO, and by creating a national security establishment with the Central Intelligence Agency at its center.

Some are now calling for the dissolution of the structures we built during the Cold War, particularly the CIA. Of course, we still face threats. Terrorism, the proliferation of nuclear weapons, and the breakup of an empire which still has 30,000 nuclear warheads. To be rid of one threat does not make the world safe. But with the collapse of the Soviet empire, the great threat we faced since 1945 is no longer real. So I am interested in Bob Gates' vision of the future, Bob Gates' view of the post-Soviet world. I am interested in what Bob Gates proposes to do with this extraordinary opportunity at the beginning of a new era.

The other principal issue I want to discuss has to do with the relationship between policy and intelligence analysis. For example, during the period leading up to the war in the Persian Gulf, did the Intelligence Community effectively communicate its analysis of whether sanctions would work?

At the time of the debate on the Gulf War vote, some claimed that Director of Central Intelligence Webster had changed his assessment of sanctions to conform with the President's policy. My personal conclusion was that Director Webster testified consistently that sanctions by themselves would have no chance of expelling Iraq from Kuwait. But others charged that Director Webster, under pressure from the President, had slanted his analysis to fit the President's policy goal. Some have said that Bob Gates, during his years at the CIA, slanted the Intelligence Community's assessment of the Soviet Union to support his own hard line views. So my first question is this, can the CIA be truly independent in its analysis?

Second, can the Intelligence Community be clear and direct in its assessments? I have attended too many briefings in which it seemed that the objective of the analysts was to cover themselves for any number of possibilities. We don't need the CIA simply to give us the news and the options, we have CNN for that. The issue



I would like to address is, how do you make intelligence analysis bold enough to be clear and independent enough to be forthright?

Mr. Gates, you have a wealth of experience to share with us on these matters, and I look forward to your testimony.

Chairman BOREN. Thank you very much, Senator Danforth.

I think that our guests today having had an opportunity to hear the views of the Members of this Committee will understand why I now say and have said very often that our Committee represents a broad spectrum of views and thoughtful positions. We have been able to listen to each other—often because of the nature of our work it has to be behind closed doors—with respect for each other.

As I have indicated in my opening statement, we have proceeded in a non-partisan fashion in the past. We have never had a party line vote. And most of our decisions have represented a broad consensus once they are reached.

But in the course of reaching those decisions, we have listened to various points of view. It's a healthy thing, especially on a Committee like this that a broad range of view points are represented because we are asked to do something that other Committees are not asked to do.

We are asked to not simply put forward our own views and our own positions, but to act as trustees for the American people because we have to sit in private, often in secret, and try to help the Intelligence Community of our government and others reach decisions that are very important and try to bring to bear the values and the principles of the American people, not only a concept of our national interests in doing so.

So I welcome the opportunity that we've had today to introduce to the American people the viewpoints of my colleagues on this Committee from both sides of the aisle, and to give the people a glimpse into the kind of deliberative process that we have tried to follow day in and day out in the Senate Select Committee on Intelligence.

A final opening statement will be made this morning before we turn to the introduction of our nominee by a former distinguished Vice Chairman of this Committee. Senator Moynihan of New York served long and ably as a Member of this Committee and has certainly strong conclusions of his own and judgments about the Intelligence Community and where it should go. We always value his counsel and his advice. We value the continuing relationship that we have had with him as Members of this Committee even as he has retired from full membership.

So we welcome you back, Senator Moynihan, and would welcome any opening comments that you would like to make before we turn to our nominee this morning.

Senator CHAFEE. Mr. Chairman?

Following Senator Moynihan's statement I have one request I'd like to make of you before we go on.

Chairman BOREN. We'd be glad to receive it.

Senator BRADLEY. Mr. Chairman? Also I don't know what Senator Moynihan is going to say but I'd like to ask him maybe one question?

Chairman BOREN. That will be fine.

Senator Moynihan?

Senator MOYNIHAN. Thank you, Mr. Chairman and Members of the Committee. I am back here as an alum, Mr. Gates.

I am sorry that Senator Danforth had to get back to the other hearings because I was going to say that in his very able remarks he spoke of the contest of ideas that was involved in the Cold War and he spoke specifically of the laboratory of Germany—East Germany and West Germany—and Gdansk and such.

And the point I would like to make is simply this: In 1986, the Central Intelligence Agency published data that showed that the per capita GNP in East Germany was higher than West Germany.

Now any taxi driver in Berlin could have told you that wasn't so. And yet a large institution not only thought it was so, but published it and didn't even see that there was something incongruous. Institutions get into problems like that. We all can think of those who have done. And I would like to speak briefly about that.

If this is a little abstract, may I say that the subject is intelligence and it is supposed to be brainy work. At the beginning of this Congress I introduced a bill called the End of the Cold War Act of 1991. It divides the Agency up as between the military intelligence and political, economic intelligence to go to the State Department. I have no brief for that particular proposal. It was meant to raise the subject. Are the present arrangements the ones that best serve us best? And it now begins to appear that as recently as 10 months ago you could talk of whether the Cold War was over. It was not yet agreed to in this city.

Just a little narrative. I came on the Committee in 1977. And by the late 70's it seemed to me that the evidence was pretty strong that the Soviet Union was about to break up. And in 1979 I wrote that the Soviet Union would break up in the 1980's. I said it on the floor, I said it here and there, and I argued it in our Committee, up in the Dome where we used to be.

And the proposition was two-fold, because the Marxist-Leninist system was based upon two predictions. The first was the superiority of socialist production over capitalist production. And the second was the disappearance of ethnicity, of nationality as they would say, of the attachments of religion, of language, of race, what you like. These were very fundamental predictions. New Soviet man would not have any of those latter things. And it was very clear to me that both those predictions were failing.

My first clue on the economy was in 1976, when Murray Feshbach over at the Bureau of the Census found that male life expectancy in the Soviet Union was dropping. Well, that meant that Khrushchev had got it wrong. They had not overtaken and surpassed us by 1970. You collect so much information in life expectancy data. Demography is destiny and that destiny looked back.

Simultaneously, ethnic attachments grew and grew. The Murkowskis did not think they were Russians yet, and they never were going to think they were Russians and there is nothing to do about that. And the Metzenbaums, they would just as soon leave the place. And so forth.

Now, when two central ideas like that fail, you are going to get a crisis of belief. Often that belief disappears just under the surface. People don't know they share what they now think, until suddenly someone says it and then everyone says it. A crisis of belief would



lead to the crisis of the regime which would lead to the break-up in the 1980's.

Now, in all this time you never would get any response out of the Agency. They didn't bother to say, you know, that's a good try but you got it wrong. They just didn't hear you. Today's youth would say, "they couldn't access that file." They just didn't hear you. Partly it was because their estimates of the size of the Soviet economy were so incredibly wrong. As late as the late 1970's the Agency had the Soviet economy at 62% of American GNP and rising. This was not something that just happened. It goes back to the 1950's. The Gaither Report. The algebra of the Gaither Report would have the Soviet GNP surpassing our's next year.

In 1959 Allen Dulles would testify that the Soviets were growing at 8 to 9% a year. That doubles every decade. They would be ahead of us by now. And the Agency could never break out of that. Nor could they ever bring into their calculations something abstract—some of the things you talked about in Paris—like ethnicity, and things like that. And so there was just no response.

And Presidents kept being told the Soviets are gaining. If the President of the United States was told, Mr. President, the economy of the Soviet Union is one-fifth that of the United States and dropping, I think the 1980's, the 1970's, the 1960's, would have been different. But instead they said it is two-thirds and closing.

Now, Admiral Turner has an article in the current issue of Foreign Affairs. I am not going to say much more but you know, cite authority when in doubt. He speaks of this. He says that the quality of intelligence and analysis has never met our expectations. He cites a remark by me that, "For a quarter of a century the CIA has been repeatedly wrong about the major political and economic questions entrusted to its analysis." Repeatedly wrong. He says, "Note that significantly the Senator cited on the political and economic analysis, not military." That is an important fact. We got military I think very well. We took pictures. But these other things we missed.

He asks, if you know their economy is weak and their military is rising, isn't that going to lead to a crisis? He says, "Neither I or the CIA analysts reached the conclusion that eventually something had to give." At a time we were arguing in this Committee that something was going to give. And something did give.

He said in the current issue of Foreign Affairs: "We should not gloss over the enormity of this failure to forecast the magnitude of the Soviet crisis. . . . Today we hear some revisionist rumblings that the CIA did in fact see the Soviet collapse." He says no, on this one "the corporate view missed by a mile."

And here is my very simple proposition: If the Agency can't confront this and live with it and say, well, all right, pencils have erasers, we really did miss it, then they, as an institution, are doomed. And I don't know the answer.

Last year, in July, we held a full day's hearings in the Foreign Relations Committee on estimating the size and growth of the Soviet economy. We asked the Soviet expert from the Agency. And he said, "In my statement I plan to review for you our methodology, and cite previous public testimony that I believe will show that

essentially we were right in our descriptions of the Soviet economy over time and in its prospects."

Now, Mr. Chairman, they weren't. And you know, it is not that they have to be that defensive because, I later received a letter from Dale Jorgenson who is professor of economics at the Kennedy School, and he wrote we all got it wrong. He said, and I quote, "It has to be one of the great failures of economics, right up there with the inability of economists to find a remedy for the Great Depression of the 1930's."

You can say you're wrong. But if you can't do that, you have ceased to be an intelligence organization. And I simply want to say where that will bring you. If you love that Agency—and I do although I couldn't even begin to do as you do, Mr. Gates—you don't want that to happen, sir.

What will happen is very simple. Three President's from now, a President is going to come along and say—Central Intelligence? Let's see, now, we've finished up the Small Business Administration. What's next? We're finding jobs for campaign workers. Okay. We've got SBA, what's this other one? CIA? Oh, yeah, they're the people who missed the Soviet Union's collapse completely, aren't they? Well, fine. Wasn't there a fellow who ran the campaign in Western Pennsylvania? We didn't carry Pennsylvania, but he did a good job; give it to him.

And that can happen, sir, but it need not. But an institutional renewal is not easy and it has to begin with acknowledgment of problems. And that is all I wish to say to you, sir.

Chairman BOREN. Thank you, Senator Moynihan.

Senator CHAFEE. Mr. Chairman, I had a question I wanted to ask at the proper time.

Chairman BOREN. Yes. Did Senator Bradley have a question of Senator Moynihan before Senator Moynihan departs. Let me entertain that question and then I will entertain the question from Senator Chafee.

Senator BRADLEY. Thank you, Mr. Chairman.

Senator Moynihan, thank you very much for your comments. I wonder if you would share with us your thoughts about the proposition that we would deny reality, as you are saying the Agency essentially did. There is a connection between denying that you actually did something when in fact you did, and denying reality. The Agency from time to time has denied that it has in fact done certain things. One instance which comes to mind, the mining of the Nicaraguan harbors, occurred during your tenure as Vice Chairman. As I recall, the Agency's denial of the mining was just as entrenched a denial as that which you have just described as the non-reality of the Soviet Union. Could you tell us what happened? Did they just deny it? And share with us, because I think it is very important that we understand the culture in addition to what the changes are substantively.

Senator MOYNIHAN. Well, that is not an easy thing to talk about, but I will. I never have in this or any such setting.

Among the things that I don't think should be forgiven is the effort to discredit Barry Goldwater by the Central Intelligence Agency. It should not be forgiven and it should be acknowledged. I

believe in forgiveness, but on condition of confession. They set out to destroy the reputation of Barry Goldwater.

It came very simply. I don't have the exact dates at hand but they are very easily brought up. Barry was Chairman, I was Vice Chairman. God, he loved that Agency. Only this side of TACAIR did he love that Agency. [General Laughter.]

Senator MOYNIHAN. And he would do anything for it. And he and I got along very well. We spent an awful lot of time, just the Chairman and the Vice Chairman, being briefed. A bipartisan Committee, just as you run, sir, and Mr. Murkowski runs.

We suddenly discovered that the CIA had been mining harbors in Nicaragua. And we knew immediately that we had not been told about this in advance. And it had to be a "significant anticipated activity," as the statute then read and we had been told of enough things that we knew when we were not told. We were told the trivial things and we got sometimes overwhelmed by that. And he couldn't believe it.

He wrote a letter to the then-Director Mr. Casey, saying this is a violation of international law. I can't understand what is going on. And frankly, I am expletive deleted-off. And that letter got into the papers a few days later.

There proceeded what in the tradecraft—and I have been an ambassador abroad, I have been involved in these things—is called disinformation. The words was put out, very simply, that Barry Goldwater, who on a slow day was faster than anybody else in our Committee and anybody else I know—had just missed this. They put it out that, well, of course he had been told, but you understand, he is getting old and he can't remember and maybe he wasn't paying attention.

Posters were put up all around Langley saying, of course he the Committee was told.

Bud McFarlane, the National Security Advisor, was sent to the Naval Academy—and that's consecrated ground, the Naval Academy, Senator Warner, Mr. Secretary. And he told the midshipmen that the Chairman and the Vice Chairman had been briefed. Lied to them. Mr. McFarlane later said under oath to Senator Sarbanes, yes, sir, I said it; yes, sir, it was not true. You don't lie to midshipmen. They did. About Barry Goldwater.

And he wouldn't take it. He knew damned well it wasn't true and he wouldn't take it. But the columns and the editorials kept saying, well, of course, he won't take it because he can't remember that he was briefed. Not true. Okay if you do it to a Pakistani politician you are mad at, but not to Barry Goldwater.

Well, the Director did, sir, come up to the Committee and in the secrecy of the Dome the DCI apologized. He said, I apologize.

But it needs to be part of the record so that it will never happen again. Never lie to Naval cadets. Never lie about Barry Goldwater.

Chairman BOREN. Thank you, Senator Moynihan. I appreciate your comments and appreciate you taking time with us. We are dedicated, as you know, to establish a relationship and a process between this Committee and the Agency that will assure the kind of candor in the future that should always be there, and we appreciate your comments very much.

Senator MOYNIHAN. Thank you, Mr. Chairman.

Chairman BOREN. Thank you.

Senator Chafee, you had one question to direct before we—

Senator CHAFEE. Yes, a question of you, Mr. Chairman. It seems to be accepted in the statements here—and I am referring, if I had it correct, to the statement by Senator Metzenbaum, that Director Casey knew of the diversion of the funds to the Contras. No question about it, this is a given. Now, I have studied this record pretty clearly and the only evidence that I know of to date that Director Casey knew of the diversion of the funds came from Ollie North. And what I am asking you, Mr. Chairman, that if I am mistaken and if there is evidence, other evidence beside that of Ollie North—and Ollie North's evidence, as I understand it, was given after Casey died—if there is other evidence, I would appreciate if the Chairman or counsel could refer me to that evidence. I haven't found it and yet there seems to be a general thrust here in the presentations that the nominee was below somebody who knew and now there is a suggestion that those below him knew—namely George, and he's a rose between two thorns, however one wants to describe it, so clearly he should have known.

Now, if I am incorrect, I would like to have a correct to that.

Chairman BOREN. Senator Chafee, I, to the best of my memory, believe that you are correct. In terms of any statement in the record, any sworn testimony in the record of either this Committee or earlier the Iran-Contra Committee or other legal proceedings, I believe that the only direct testimony, sworn testimony in the record directly to the point as to whether Director Casey knew of the diversion was the testimony given by Colonel North. I don't know of any other testimony.

I would have to say that of course it is possible in the course of these hearings there could be other testimony that might come forward. We certainly, as you know, will be hearing from Mr. Fiers. We have already taken the sworn testimony of the former Chief of the Latin American Division of the CIA. We are still requesting testimony from Mr. George, which to this point in time, there has been no agreement that he would give such testimony absent immunity, which the Committee cannot provide because of the actions of the Independent Counsel. Although it is clear at least from the response that Mr. George has made to the indictments returned against him that he has denied his own knowledge. So it would probably follow that he would deny, therefore, having imparted knowledge or known of knowledge on the part of others. We can only surmise what his testimony might be if he doesn't give it.

So I believe the Senator is correct, to the best of my knowledge he is correct and searching my memory back during the time that I was a Member of the Special Committee as well, that the only sworn testimony to the knowledge of Director Casey was that given after Director Casey's death by Colonel North.

Senator WARNER. On that note Mr. Chairman, we now have during the course of the proceedings here this morning, information that perhaps Colonel North's status before the Special Prosecutor has changed.

Chairman BOREN. There is an Associated Press report that the Special Prosecutor's office has said today that it has dropped its case against Oliver North on Iran-Contra.

Senator WARNER. Well that might give rise to the ability of this Committee then to receive his testimony directly on that crucial point. Would the Chairman and the counsel and the Vice Chairman entertain that——

Chairman BOREN. Well certainly. Let me take that under advisement. I have not had a chance to think, since this report was only handed to me a few minutes ago, what the implications might be. Something we would want to discuss with the Special Counsel as well because he has other matters ongoing that might be impacted. We have tried to cooperate in every way, but I'll certainly take that up.

Senator WARNER. I certainly thank the Chair, and I think it is one that should be explored.

Chairman BOREN. Let me just ask the General Counsel, Mr. Snider, as far as he knows is my statement correct as far as——  
[Pause.]

Chairman BOREN. The General Counsel indicates that he believes my statement is correct, that in terms of the sworn testimony in the record, as to Director Casey's knowledge, that it is only that of Colonel North, given after Director Casey's death.

Senator METZENBAUM. I think it is an interesting suggestion that the Senator from Virginia makes and maybe the Committee ought to discuss that at a later point.

Chairman BOREN. I think it would be appropriate for us to have that discussion again after we have had some time to think about it.

Senator MURKOWSKI. Mr. Chairman, while it is not relevant to sworn testimony, the statement made by Mr. Casey at his death bed to the reporter may have some bearing, but certainly is not sworn testimony.

Chairman BOREN. It would not be sworn testimony.

Senator WARNER. Well I would enjoy getting that reporter up before this Committee, Mr. Chairman, that would be a——  
[General Laughter.]

Chairman BOREN. I am going to proceed with the introduction of the nominee I think at this point. I would like to ask our colleagues from the home state of the nominee to please come forward and join the nominee at the witness table.

The nominee will be formally presented by the distinguished Minority Leader of the Senate, Senator Dole, and his colleague, Senator Kassebaum. As we all know Mr. Gates is a native of the state of Kansas. He will also be joined in that presentation by Senator Robb and Senator Warner of Virginia as Mr. Gates currently resides and has resided for some time in the state of Virginia.

Let me say that after that we will have the opening statement from the nominee and then we will have a recess. The questioning from the Committee will proceed in the afternoon and follow in order of seniority because of the responsibilities of Members in other Committees and on the Floor. So that will give Members of the Committee a notice of the order in which they will be called upon to ask their questions.

It is a pleasure to have our colleagues with us this morning and I would be happy to recognize first the distinguished Minority Leader, Senator Dole to present the nominee.

**STATEMENT OF HON. ROBERT DOLE, A U.S. SENATOR FROM THE  
STATE OF KANSAS**

Senator DOLE. Thank you, Mr. Chairman, I appreciate it very much. If anybody has a real time conflict, I will be happy to yield to any other person first.

I consider this an honor and a privilege to be here this morning with my colleague from Kansas, Senator Kassebaum, with our two colleagues from Virginia, and our fellow Kansan, Bob Gates.

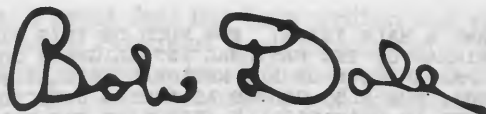
Bob, I talked to your brother Jim this morning, who wished you Good Luck. He said you had talked to him yesterday.

I'd ask consent that my entire statement be made a part of the record.

Chairman BOREN. Without objection.

[The statement of Senator Dole follows:]





U.S. SENATOR FOR KANSAS

SENATE REPUBLICAN LEADER



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## DOLE INTRODUCES GATES

### REMARKS OF SENATOR BOB DOLE INTRODUCING CIA DIRECTOR-DESIGNATE BOB GATES AT CONFIRMATION HEARINGS BEFORE SENATE INTELLIGENCE COMMITTEE

IT IS A GREAT PRIVILEGE FOR ME TO FORMALLY INTRODUCE BOB GATES TO THIS COMMITTEE.

A GREAT DEAL HAS BEEN WRITTEN AND REPORTED ABOUT THIS NOMINATION SINCE PRESIDENT BUSH ANNOUNCED IT A LITTLE OVER FOUR MONTHS AGO. UNFORTUNATELY, MOST OF THAT HAS BEEN BASED ON A WHISPERING CAMPAIGN OF RUMOR, INNUENDO, AND SPECULATION.

#### FOCUS ON FACTS, GATES RECORD

TODAY, AT LAST, THE COMMITTEE WILL START PUTTING THE FOCUS ON SOMETHING A LITTLE BIT DIFFERENT AND MORE IMPORTANT--THE FACTS. THAT'S WHERE THE FOCUS OUGHT TO BE. THE RECORD OF BOB GATES--HIS EXPERIENCE, HIS ACCOMPLISHMENTS, AND, YES, THOSE AREAS WHERE THE COMMITTEE, AND THE SENATE HAVE LEGITIMATE QUESTIONS.

MAKE NO MISTAKE ABOUT IT, BOB GATES IS READY TO ANSWER THOSE QUESTIONS.

THE BOTTOM LINE IS THAT NO PERSON IS MORE QUALIFIED TO SERVE AS CIA DIRECTOR IN THESE CHALLENGING TIMES THAN BOB GATES.

BEING BORN IN KANSAS, IN AND OF ITSELF, MAY NOT BE REASON ENOUGH FOR THIS COMMITTEE TO VOTE TO CONFIRM BOB, BUT IT IS CERTAINLY A GOOD START.

BOB ALSO EMBODIES THE VALUES AND BELIEFS OF KANSAS: VALUES OF HARD WORK AND SERVICE TO YOUR COUNTRY. AND A BELIEF THAT A MAN'S WORD IS HIS BOND.

BOB'S UNPARALLELED RECORD OF SERVICE TO HIS COUNTRY IS WELL KNOWN TO MEMBERS OF THIS COMMITTEE. BUT I DO WANT TO TAKE A FEW MINUTES TO SUMMARIZE SOME OF THE HIGHLIGHTS OF HIS REMARKABLE CAREER.

#### SERVICE TO AMERICA: EXPERIENCE, INTELLIGENCE, INTEGRITY

BOB'S FIRST TOUR OF DUTY AT THE CIA BEGAN IN 1965, WHERE HE FIRST SERVED AS AN INTELLIGENCE ANALYST, AND ONE OF TWO ASSISTANT NATIONAL INTELLIGENCE OFFICERS FOR STRATEGIC PROGRAMS. DURING THIS PERIOD, BOB FOUND TIME TO EARN A DOCTORATE IN RUSSIAN AND SOVIET HISTORY FROM GEORGETOWN UNIVERSITY.

IN 1974, BOB WAS ASSIGNED TO THE NATIONAL SECURITY COUNCIL, WHERE HE SERVED PRESIDENTS NIXON, FORD, AND CARTER.

BOB RETURNED TO THE CIA IN LATE 1979, AND HE WAS SUBSEQUENTLY APPOINTED TO A SERIES OF INCREASINGLY RESPONSIBLE MANAGEMENT POSITIONS, INCLUDING NATIONAL INTELLIGENCE OFFICER OF THE SOVIET UNION.

IN JANUARY OF 1982, PRESIDENT REAGAN APPOINTED BOB AS DEPUTY DIRECTOR FOR INTELLIGENCE, A POSITION IN WHICH HE SERVED FOR

NEARLY FOUR AND A HALF YEARS. FOR MUCH OF THIS TIME, BOB ALSO SERVED AS CHAIRMAN OF THE NATIONAL INTELLIGENCE COUNCIL, WHERE HE DIRECTED THE PREPARATION OF ALL NATIONAL INTELLIGENCE ESTIMATES. FOR FIVE MONTHS, BOB ALSO SERVED AS ACTING DIRECTOR OF THE CIA. I THINK HIS WORK IN DRAMATICALLY IMPROVING THE QUALITY OF THE AGENCY'S INTELLIGENCE REPORTING IS WELL KNOWN TO THE COMMITTEE.

IN AUGUST OF 1989, PRESIDENT BUSH APPOINTED BOB AS ASSISTANT TO THE PRESIDENT AND DEPUTY FOR NATIONAL SECURITY, WHERE HE HAS TEAMED WITH BRENT SCOWCROFT AND THE PRESIDENT ON VIRTUALLY EVERY CRITICAL NATIONAL SECURITY ISSUE AMERICA HAS FACED--MOST NOTABLY, THE GULF WAR.

DURING HIS CAREER BOB HAS TWICE RECEIVED THE CIA'S HIGHEST AWARD, THE DISTINGUISHED INTELLIGENCE MEDAL, AS WELL AS RECEIVING THE NATIONAL INTELLIGENCE DISTINGUISHED SERVICE MEDAL.

ALONG WITH WINNING AWARDS, BOB HAS ALSO WON THE CONFIDENCE AND RESPECT OF MEMBERS OF THE INTELLIGENCE AND DIPLOMATIC COMMUNITY AROUND THE GLOBE.

HE'S WON A REPUTATION AS ONE OF THE PREEMINENT ANALYSTS OF THE SOVIET UNION AND EASTERN EUROPE. AND PERHAPS MOST IMPORTANTLY, HE'S ALSO WON THE ABSOLUTE FAITH AND CONFIDENCE OF PRESIDENT BUSH, WHO BELIEVES, AS I DO, THAT NO ONE POSSESSES BOB GATES' BREADTH OF EXPERIENCE.

SIMPLY PUT, NO ONE HAS SO MUCH EXPERIENCE IN GATHERING, ANALYZING, AND RECEIVING INTELLIGENCE.

#### UNIQUELY QUALIFIED TO LEAD CIA

MR. CHAIRMAN AND COLLEAGUES, THAT'S THE RECORD. IT'S A RECORD OF ACCOMPLISHMENT...A RECORD OF INTELLIGENCE...A RECORD OF INTEGRITY.

IT'S A RECORD THAT HAS EARNED THIS NOMINEE A FAIR AND EXPEDITIOUS HEARING FROM THIS COMMITTEE. NO ONE IS SEEKING TO DENY MEMBERS OF THIS COMMITTEE AND MEMBERS OF THE SENATE FROM ASKING MR. GATES WHATEVER QUESTION THEY DEEM IMPORTANT. BUT ONCE THE QUESTIONS ARE ASKED, AND ANSWERS ARE GIVEN, THAT SHOULD BE THAT.

EITHER YOU BELIEVE BOB GATES HAS THE EXPERIENCE TO RUN THE CIA, AND THAT HIS TESTIMONY HIS TRUTHFUL, OR YOU DON'T. THIS NOMINATION, AND THE DIRECTION OF OUR INTELLIGENCE CAPABILITIES MUST NOT BE DELAYED OR ALLOWED TO TWIST IN THE WIND ANY LONGER.

AND WHEN ALL IS SAID AND DONE, MR. CHAIRMAN, I AM CONFIDENT THAT THIS COMMITTEE AND THE FULL SENATE WILL COME TO THE SAME CONCLUSION I HAVE: THAT BOB GATES IS UNIQUELY QUALIFIED BY EXPERIENCE, BY INTELLIGENCE, AND BY INTEGRITY, TO SERVE AS DIRECTOR OF THE CIA.

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Senator DOLE. A great deal has been written and reported about this nomination since President Bush announced it a little over 4 months ago. Unfortunately a lot of that has been based on a whispering campaign of rumor, innuendo, and speculation. But today, at last, the Committee will start putting a focus on something a little bit different, and more important. The facts. That is where the focus ought to be. The record of Bob Gates, his experience, his accomplishments, and yes, those areas where the Committee and the Senate have legitimate questions, which obviously should be addressed. And make no mistake about it, Bob Gates is ready to answer those questions.

The bottom line is that no person is more qualified to serve as CIA Director in these challenging times than Bob Gates. Being born in Kansas, in and of itself, may not be reason enough for this Committee to vote to confirm Bob Gates, but it is certainly a good start.

Chairman BOREN. It is as close to Oklahoma as you can get. [General Laughter.]

Senator DOLE. Right, Wichita is very close.

Bob Gates also embodies the values and beliefs of Kansans, that is, of hard work and service to your country, and a belief that a man's word is his bond—and that is very important in this Committee. I have listened to a number of Members and I am certain that that is going to be a very key issue.

His unparalleled record of service to his country is well known to Members of this Committee. But I want to emphasize it, and to summarize it, because I think it is important. It is a very remarkable career.

I have listened with great interest to all of the opening statements. Bob Gates cannot possibly know everything, now or in the past, or any other time. None of us could take that test either.

But Bob's first tour of duty in the CIA began in 1965, when he served as an intelligence analyst, and one of two Assistant National Intelligence Officers for Strategic Programs. And during this period, Bob found time to earn a doctorate in Russian and Soviet history from Georgetown University. In 1974 he was assigned to the National Security Council, where he served Presidents Nixon, Ford, and Carter. He returned to the CIA in late 1979 and was subsequently appointed to a series of increasingly responsible management positions, including National Intelligence Officer for the Soviet Union. In January of 1982, President Reagan appointed Bob Gates as Deputy Director of Intelligence, a position he held for nearly four and a half years.

For much of this time he also served as Chairman of the National Intelligence Council, where he directed the preparation of all National Intelligence Estimates. For five months, he also served as Acting Director of the CIA.

I believe his work in dramatically improving the quality of the Agency's intelligence reporting is well known to the Committee. In August of 1989, President Bush appointed Bob Gates as an Assistant to the President and Deputy for National Security where he is teamed with Brent Scowcroft and the President on virtually every critical national security issue America has faced, most notably the Gulf War. And the point I would make is he has been on both

sides. He has been an Intelligence Officer, and he has also been on the receiving side as Deputy to Brent Scowcroft.

He has twice received the CIA's highest award—the Distinguished Intelligence Medal—as well as receiving the National Intelligence Distinguished Service Medal. Along with winning awards, he has also won the confidence and respect of members of the intelligence and diplomatic community around the globe, and obviously of the Members of this Committee.

He has won a reputation as one of the pre-eminent analysts of the Soviet Union and in Eastern Europe. And perhaps most importantly, he also won the confidence and respect of President Bush, who believes as I do that no one possesses his breadth of experience. In sum, Bob Gates is well qualified for the job he has been nominated.

Simply put, no one has had more experience in gathering, analyzing and receiving intelligence. Mr. Chairman, my colleagues, that is the record. It is a record of accomplishment, a record of intelligence, and a record of integrity. It is a record that has earned this nominee a fair and expeditious hearing from this Committee.

No one will seek of course to deny Members of this Committee and Members of the Senate from asking Mr. Gates whatever questions they deem important. But once the questions are asked and answers are given, that should be that. Either you believe Bob Gates has the experience to run the CIA, that his testimony is truthful, or you don't.

This nomination and the direction of our intelligence capability must not be delayed or allowed to twist in the wind any longer. And when all is said and done Mr. Chairman, and Mr. Vice Chairman, I am confident that this Committee and the full Senate will come to the same conclusion that I have. That Bob Gates is uniquely qualified by experience and by intelligence and by integrity to serve as Director of the CIA.

Thank you Mr. Chairman and Members of the Committee for allowing me to appear this morning.

Chairman. BOREN. Thank you very much, Senator Dole.  
Senator Kassebaum.

#### STATEMENT OF HON. NANCY KASSEBAUM, A U.S. SENATOR FROM THE STATE OF KANSAS

Senator KASSEBAUM. Thank you, Mr. Chairman. I'll be quite brief, because there has been already much said. And I would just like to say why I believe Bob Gates will be a most successful Director of the Central Intelligence Agency.

There are two reasons. One, given the breadth of his experience in the Intelligence Community and also with the work that he has done in relating the Executive and Legislative branches to the Intelligence Community, this will stand him in good stead in the obvious need to bring great intelligence, competence, to the reorganization of the Intelligence Community.

Much has been said here in opening statements about the drama of changing times. And it will mean changing the Intelligence Community to fit the changing times, just as it will the defense

community and the foreign aid community, and everything else as we adjust our leadership to these dramatic changes.

Secondly, and I think perhaps in many ways most importantly—and Senator Dole touched on this—it's Bob Gates' relation to President Bush. President Bush has great confidence in Bob Gates. President Bush is a former Director himself of the Central Intelligence Agency and he knows what he expects in a Director and he has the highest confidence in Bob Gates.

I think in the trade that is called a valuable asset. Is it? And I certainly believe that indeed this is the most valuable asset. I have great confidence and I know that this will be confirmed to us all as Bob Gates gets to be able to testify and make his own case.

Thank you, Mr. Chairman.

Chairman BOREN. Thank you very much, Senator Kassebaum.

I will now call on the senior Senator from Virginia, Senator Warner.

#### STATEMENT OF HON. JOHN WARNER, A U.S. SENATOR FROM THE COMMONWEALTH OF VIRGINIA

Senator WARNER. Well thank you, Mr. Chairman.

And I will just follow on Senator Kassebaum's statement in saying that by having that full confidence of the President, that gives you an enhanced stature as you deal with your counterparts throughout the world and other governments. Because therein is one of the most fertile sources of intelligence collection. And to have that full confidence of the President enables you to sit at the roundtable in the White House and bring CIA and the other elements of the Intelligence Community in as a full partner in dealing with the Secretaries of State, Defense, Energy and others who are constantly working on our security problem. That's invaluable.

Mr. Chairman and others, as this world is faced with the proliferation of weapons of mass destruction which know no borders now, the ramparts of defense become really intelligence which can provide the early warning such that we can utilize to the extent possible whatever we have to deter and defend against those weapons.

And lastly, Mr. Chairman, as I spoke earlier this morning, we, the United States, are being encircled by economic competition throughout the world. Unlike the sharing of intelligence on security and military matters, we have no friends and no sharing in this area. And we need a man who does have the confidence of the President, who does have the experience, who understands now as we reorganize the Central Intelligence Agency to shift those assets once devoted to the Soviet Union to the extent we can, to quickly pick up, and I emphasize quickly, the capabilities needed to defend this country economically. Our economic security is just as important as our military security. And for that reason, the President chose a man who needs no on the job training and can pick up that job tomorrow and do it.

Chairman BOREN. Thank you very much, Senator Warner.

It is a pleasure to welcome to the Committee Senator Robb of Virginia who is also joining in introducing the nominee today. Senator Robb, we are happy to have you.

**STATEMENT OF HON. CHARLES ROBB, A U.S. SENATOR FROM THE  
COMMONWEALTH OF VIRGINIA**

Senator ROBB. Thank you, Mr. Chairman, Senator Murkowski, other Members of the Committee.

Introducing Bob Gates to the Intelligence Committee is probably as unnecessary as any particular act that can be done but as a representative of his adopted state, I am pleased to join at least in formally presenting him with my senior colleague and our two colleagues from Kansas.

We take great pride in the fact that the Central Intelligence Agency headquarters and many of those who serve professionally in that organization are in Virginia. I count it as a near neighbor. As a matter of fact, almost twenty years ago when we were completing our current house, we lived literally on the wire of the perimeter security for the Central Intelligence Agency.

I would also note that Mr. Gates had the good fortune of spending some of his most important informative years in higher education in one of the very fine institutions of higher learning in the Commonwealth of Virginia, the College of William and Mary.

Judging from the opening statements, it is clear that, Mr. Chairman, that you and the other Members of the Intelligence Committee are going to conduct a very thorough investigation. And I think given the sensitivity of the post and the secrecy under which it must operate for most of its existence, that this is entirely appropriate.

I look forward to the completion of that process and I hope very much that Mr. Gates will be able to respond to those important questions that are raised in a way that will enable all of us to vote for him—to confirm him as Director of the Central Intelligence Agency. But I am very pleased to join my colleagues at this time in presenting him for a formal confirmation process, Mr. Robert Gates.

Chairman BOREN. Thank you very much, Senator Robb, Senator Dole and your colleagues.

Senator Dole and others, as you have said in your statements that your hope is our process will be thorough, that it will be fair and that it will render a decision as is the obligation of this Committee to render upon conclusion of hearing all of the evidence. That is exactly the way we intend to conduct ourselves and we appreciate you and other colleagues being here to present the nominee to us.

Senator Rudman has joined us but he has indicated to me to waive his opening statement. We will put your opening statement in the record. Any additional remark you would like to make?

Senator RUDMAN. Mr. Chairman. I appreciate that. I was delayed on a matter concerning New Hampshire this morning and I am informed that the opening statements are so thorough and so brilliant that there is nothing constructive that I could add, so I will waive it.,

Chairman BOREN. I would appreciate that, and I am sure that the nominee and others present will appreciate that. Some have suggested that perhaps the most challenging job of any nominee is to be able to have the perseverance to sit through the opening

statements of the Members of the Committee. And we have put Mr. Gates to that daunting task today.

We now will turn to the opening comments of our nominee. And again, Mr. Gates, let me welcome you back to this Committee. As has already been indicated, we have a long relationship between the Members of this Committee and you in the various capacities in which you served the national security responsibilities of this country.

I would ask that you stand at this time and be sworn before you present testimony for the Committee.

Would you please raise your right hand.

Do you, Robert M. Gates, solemnly swear that the testimony that you are about to give will be the truth, the whole truth, and nothing but the truth, so help you God?

Mr. GATES. I do.

Chairman BOREN. Thank you. You may be seated.

Mr. Gates, we would welcome your opening comments at this time.

#### TESTIMONY OF ROBERT M. GATES, NOMINEE, TO BE DIRECTOR OF CENTRAL INTELLIGENCE

Mr. GATES. Thank you, Mr. Chairman.

Mr. Chairman, Members of the Committee, it is a great honor to appear here before you as President Bush's nominee to be Director of Central Intelligence.

I want to thank him for his confidence in me and for the honor of this nomination. I am humbled by it.

I welcome these confirmation hearings to address the many issues that I know you will raise. Mr. Chairman, here at the outset, I want to thank you and the Committee for the fair and professional treatment of my nomination. I also want to thank Senators Dole, Kassebaum, Robb, and Warner for their kind introductions.

I have been in public service for 25 years. I arrived in Washington 25 years ago this summer with everything I owned in the back of a 1965 Mustang and no money. The Mustang is long gone—sold before it became a collector's item—and I still have no money. But I am enriched by a wonderful and patient wife and two great kids.

I believe I still have the idealism that I brought with me from Kansas a quarter of a century ago. A deep conviction in the greatness of this country, in the uniqueness and wonder of its Constitution, and in its mission as a force for good in the world.

My decision to commit my life to national service springs from these beliefs. I also still have the values that I brought with me from Kansas. Family. Hard work. Candor and truthfulness. Integrity. Obeying the law. And a basic optimism about life.

During these 25 years, I have worked for six Presidents, Republicans and Democrats alike. I served four of them in the National Security Council. I have served eight Directors of the CIA. I have worked closely and harmoniously with this Committee and its House of Representatives counterpart for more than ten years as CIA's Deputy Director for Intelligence, Chairman of the National Intelligence Council, Deputy Director of Central Intelligence,

Acting Director of Central Intelligence, and Deputy National Security Advisor.

I have appeared before this Committee more than fifty times during that period. So we are not strangers to one another. In short, I do not come before this Committee as a new face but rather as a nominee with a long track record.

I anticipate that the Committee will want to examine both that record as well as my view of the future course of CIA and U.S. intelligence.

I think all of the opening statements point to that.

The Committee has appropriately been looking at the future of U.S. intelligence, its structure and mission, in the aftermath of the Cold War and now most recently, after the revolution in the Soviet Union. Who would have thought that just five years ago we would stand where we are today. Certainly not the intelligence analyst sitting before you. Talk about humbling experiences.

The old verities that guided this country's national security policy for forty-five years and thus its intelligence service have disappeared in an historical instant. Communism is dead or dying, a number of long-standing regional conflicts are coming to an end, the Cold War is over, the Communist Party lies mortally wounded in the Soviet Union, wounded by its own hands, and the forces of real reform are at last ascendant in the Soviet Union.

Still, as ever, there are challenges, concerns, and risks. The collapse of the Soviet and Russian empire offers the promise of democracy and economic transformation. But, it also contains the seeds of grave instability, chaos, and civil war in a country possessing nearly thirty thousand nuclear warheads, the most powerful of which are still aimed at us. We cannot yet divert attention from the Soviet Unions, but clearly our priorities and our concerns have changed.

Meanwhile, a growing number of nations have or are developing nuclear, chemical and biological weapons, together with the ballistic missile technologies to deliver them. Some of our allies in that long Cold War are now at times serious adversaries in that global marketplace. Political instability in the Third World spawns conflict, famine and chaos, challenging us politically, economically, sometimes militarily and always morally. International narcotics cartels not only feed growing global demand, they increasingly have the capability to buy governments and rule countries. Regional conflict and its terrorists stepchildren, as in the Middle East, remain a reality despite our best efforts.

I have been deeply engaged in dealing with all of these problems. I have been by the President's side when we prevented a coup attempt in the Philippines, liberated Panama, defeated Iraq's aggression against Kuwait, saw the Berlin Wall go down and led the effort to unify Germany in NATO, fostered the Polish Roundtable Agreement, completed the CFE and START agreements, and played a role in the success of the democratic forces during the recent Soviet coup attempt.

The President and the Congress know that just as some threats have diminished, other dangers remain or have altered shape, just as new challenges and problems have emerged. The death of Soviet Communism has vastly diminished the danger of global war, but



the world remains a very rough neighborhood. Our nation's leaders, at both ends of Pennsylvania Avenue, have no wish to walk these streets blindfolded.

We approach the close of the most violent century in man's history. Two world wars, a long and hostile peace punctuated by protracted and bloody regional wars, the destruction of ancient empires and defeat of two inhuman ideologies, Communism and Nazism, have set in motion vast political, social and economic forces long frozen by totalitarianism and its legacy. The path to a new and brighter day is finally apparent, but will still require American leadership, strength and vision, the willingness to act against those who would prey on the weak, and skillful navigation around the many obstacles that can thwart progress or send newly free but fragile democracies hurtling back into the darkness. The role of intelligence is to help the President, his senior advisors and Congress understand and deal with these changing realities.

The challenge, then, CIA and U.S. intelligence is to adapt to this changing world, not just in places like the Soviet Union and Europe, but to the very idea of change, the idea that for years to come change and uncertainty will dominate international life. That the unthinkable and the not even thought about will be commonplace. For us in intelligence to adapt to such a changing world will require unprecedentedly close collaboration of the President and his advisors, the Intelligence Community and the Congress. If confirmed, I look forward to a close partnership with this Committee in this remarkably challenging and stimulating process.

Normally, a nominee would be circumspect about specific ideas for change. However, my nomination comes at a time when this Committee is deeply engaged in looking at the future of U.S. intelligence and has, as this morning's statements made apparent, considerable interest in my views about the future, and what I would do if confirmed to help guide CIA and its sister agencies toward the 21st Century. I believe Director Webster's emphasis on flexibility is central to being responsive in a time of radical change and unpredictability. What follows are my ideas on where we ought to go from here.

First, this remarkable moment in history affords us a not-to-be-missed opportunity to reassess the role, mission, priorities and structure of American intelligence in the aftermath of the Cold War. This should not be done off the cuff. If confirmed, I will recommend that the President launch, with the direct involvement of his most senior security advisors, a major effort to determine the intelligence needs of the United States for the next decade or more, to the year 2005. He should then, in my view, charge the DCI to identify what the Intelligence Community must do to meet those needs. The two Intelligence Committees should have the opportunity to participate even before these proposals come before the Congress.

At a time of revolutionary change abroad and government-wide fiscal constraints at home, U.S. intelligence cannot remain fundamentally unaffected. Accordingly, we, the Executive branch and the Congress, must reach agreement on mission and priorities. Once these are determined, we can then logically address structure and budget. Admiral Bob Inman as Deputy DCI managed a similar

process for the intelligence build-up during the first half of the 1980's. It is time to follow up that effort with an even bolder, much more far-reaching effort. This effort ought to be completed by the end of the year, in time to influence the next budget cycle.

There are other problems and innovations that must be addressed as we change to cope with a changing and different world.

The intelligence budget should be considered by the President, his senior advisors and the Congress within but independent of the Defense budget.

We must dramatically expand our clandestine human intelligence collection effort. At the same time, we must consider the implications for our covert action capabilities of a dramatic decline in Soviet aggressiveness and disruptive activities in the Third World.

We must remedy the gap between 21st Century collection systems and a 19th Century system for informing policymakers.

We publish too much intelligence of questionable relevance to policymakers. Less and better should be the rule.

CIA's relationship to and support for the U.S. military must be improved.

The process by which the information needs of policymakers are translated into intelligence requirements must be strengthened.

The relationship between our national and tactical intelligence programs must be dramatically improved.

Finally, the Intelligence Community and CIA in particular must build on the openness Director Webster has encouraged to develop better popular understanding and support for U.S. intelligence activities. President Kennedy once said that CIA's successes remain a secret while its failures are trumpeted. However, things have gotten out of hand when the most outrageous allegations against the Agency are taken seriously, when the honor and integrity of thousands of patriotic public servants are suspect merely by virtue of where they work. CIA and its people deserve better. But changing perceptions first requires greater openness by the Agency.

I can elaborate on these proposals I have just made and others that I have in mind, but my point is clear, CIA and U.S. intelligence must change, and be seen to change, or confront irrelevance and growing sentiment for their dismantlement. I look forward to tackling this challenge with you.

Contrary to popular perceptions of an adversary relationship, Congress has long been a strong supporter of a vital and effective U.S. intelligence service. It was the congressional Intelligence Committees that launched the rebuilding of U.S. intelligence capabilities in 1979, and their support helped sustained that rebuilding in following years. This congressional support, not surprisingly, is valued in the Intelligence Community. But the Community also recognizes and values the role of Congress in making intelligence accountable and in assuring that it operates within the law and in a manner consistent with American values. Access to our assessments by Congress—Republicans, Democrats, liberals, conservatives, and moderates—helps assure our objectivity and independence.

We know that many Americans are uneasy about CIA and U.S. intelligence activities. They understand the need for information and, even on occasion, for covert action, but they are uncomfort-



able with secrecy. And therein lies the value of congressional oversight: the reassurance to Americans that the laws are being obeyed and that there is accountability. This then, puts a special responsibility on intelligence agencies to be truthful, straightforward, candid, and forthcoming in dealings with Congress.

For more than ten years, I have had a strong and positive relationship with this Committee. I understand and respect its role, and that of its House counterpart, as surrogates for both the rest of the Congress and the American people. Consequently, a relationship of trust and confidence between the Intelligence Community and the two Intelligence Committees is of vital interest and importance. Accordingly, I commit to you that should I be confirmed, whatever differences may develop from time to time between the Intelligence Committees and the Executive branch generally or CIA in particular, I would resign rather than jeopardize that relationship of trust and confidence.

Mr. Chairman, that completes my formally prepared statement.

Because of the great interest that this Committee has and the centrality of Iran-Contra to these proceedings, I wanted to add some additional personal thoughts on the subject at the end that I wrote down last night.

I have just referred to a commitment about trust and confidence. I don't make that commitment lightly. It is a direct outgrowth of watching the constant crises, primarily over covert action, in CIA-Congressional relations between 1981 and 1986, culminating in Iran-Contra.

I suspect few people have reflected more than I have on the Iran-Contra affair—what went wrong, why CIA played by rules not of its own making, and what might have been done to prevent or at least stop this tragic affair. CIA has already paid a fearful price and learned costly lessons. But today I want to speak about the misjudgments that I made and the lessons I learned.

First, in retrospect, I should have taken more seriously after the 1st of October, 1986, the possibility of impropriety or even wrongdoing in the government and pursued this possibility more aggressively. I should have pressed the issue of a possible diversion more strenuously with Director Casey and with Admiral Poindexter. I should have done more. Instead, I contented myself with taking the information I had received to Casey and Poindexter, as well as to CIA's General Counsel, and then did not follow up after returning from overseas.

Second, I should have been more skeptical about what I was told. I should have asked more questions and I should have been less satisfied with the answers I received, especially from Director Casey.

Third, I should have pressed harder for reversing the provision in the January Finding prohibiting informing the Congress.

At the same time, I believe that the actions I did take were well intentioned and honest. While differences naturally exist in recalling the details of conversations and meetings that are removed over a distance of months or sometimes even years, the record is clear that I opposed the Iran initiative, I urged the notification of Congress, I acted to ensure CIA's compliance with the law, and when, for the first time, problems were brought to me, I informed

Director Casey, consulted CIA's General Counsel, and followed the Counsel's recommendations. Even before the Iran initiative became public, I urged full public disclosure. After it became public, I pressed for full disclosure to the Congress. I ensured full CIA cooperation with multiple investigations, and I began trying to rebuild that relationship of trust and confidence between CIA and the Congress.

Clearly, if I could relive October 1986, perhaps part of November, I would do certain things differently and I believe better. And indeed my actions as Acting Director for more than five months and as Director Webster's Deputy for nearly two years demonstrate that I learned the lessons of Iran-Contra. During that period, from December 15th 1986 to Spring of 1989, there was not a single crisis of confidence between CIA and the Congress, in stark contrast to the preceding six years. Nor will there be such a crisis under my stewardship if I am confirmed. You will not find a nominee for Director of Central Intelligence more aware of and sensitive to the lessons of that time, or more understanding of the importance of a good-faith relationship with the Congress.

Thank you, Mr. Chairman.

Chairman BOREN. Thank you very much, Mr. Gates, for your opening comments to the Committee and the very candid way in which you have shared your thoughts on some very sensitive issues which the Committee will confront.

It's my plan now to have the Committee stand in recess until 2:00 o'clock. We will resume at that time and begin the questioning by Members of the Committee in the order of seniority throughout the balance of the afternoon. We'll stand in recess until 2:00 o'clock.

Senator CHAFEE. Mr. Chairman, could you give us a brief outline on how you envision time-wise the hearings going. For example, today we start—I think you said, what, at 2:00—and would go roughly until what time?

Chairman BOREN. I would think that we will try to go until about 6:00 o'clock tonight. The Vice Chairman and I will have some institutional questions that will need to be asked. We'll then go to Members of the Committee in order for approximately half an hour each. At the end of that process, there will undoubtedly be some more Members of the Committee that would like to have additional time to ask questions. So I would like to be able to complete the questioning of the nominee by the Members of the Committee by close of business tomorrow. So, it would be my plan to go until about 6:00 tonight. We'll see how our progress is and that will determine how long we would go tomorrow.

Senator CHAFEE. And start tomorrow at what, 9:30?

Chairman BOREN. 9:30 in the morning as well.

Senator WARNER. Mr. Chairman, I wonder if you could make available as soon as possible a transcript of these most significant remarks made by the nominee here in these closing statements. It could well be that they could guide us in our questioning, and I respect and commend the nominee for his statement.

Chairman BOREN. To the Senator from Virginia, I would say that we will. I noted the nominee was reading from notes. Obviously, he has prepared just handwritten notes very, very recently. I'm sure

he'd make those available to us to make a transcript so that we can release the full text of those remarks.

Senator METZENBAUM. How late does the Chair expect to go tomorrow evening?

Chairman BOREN. It's hard to predict. I would like to go tomorrow until we complete the questioning of the nominee by Members of the Committee. Of course, because of Yom Kippur, we will not be in session on Wednesday. On Thursday, we do plan to start with our other witnesses—Mr. Fiers, Mr. McMahon, Admiral Inman and others who will be testifying. So, we will push ahead to try to complete the questioning of the nominee. Obviously, either on request of the Members of the Committee or the nominee himself, there will be another opportunity to have questions addressed by the nominee later in the process after we've heard the outside witnesses as well.

Senator METZENBAUM. Well, Mr. Chairman, I'd like to point out that I'm certain that several of us on the Committee will take longer than a half hour for questions.

Chairman BOREN. I understand that, and we'll obviously continue to go back to a second round. As I've told the Senator from Ohio, as long as there are questions that Members of the Committee sincerely feel need to be addressed, that they wish to put to the nominee, they're certainly going to have that opportunity. That's the reason I do want to leave open the possibility that we might go somewhat longer depending on our progress today. We might go well into the evening tomorrow if it becomes necessary.

Senator METZENBAUM. I want to point out to the Senator that that is a holiday for some Members of this Committee. The holiday starts at tomorrow evening. Most of us will probably leave the area of the Senate around 5:00 o'clock.

Chairman BOREN. If there are problems, I would be happy to work with the Senator to arrange a time for his questioning so we can make sure that he has every opportunity to ask any questions that he wants to ask.

Thank you very much. We'll stand in recess until 2:00 o'clock.

[Whereupon, at 12:38 o'clock p.m., the Committee stood in recess, to reconvene at 2:00 o'clock p.m. that same day.]

#### AFTERNOON SESSION

Chairman BOREN. The hearings will come back to order.

We will resume at this point.

Let me say, and I have not yet had a chance to discuss this with the nominee, some Senators have indicated that they may have a little longer questioning period than we originally anticipated. Senator Metzenbaum has spoken to me about this. And of course, we will recess at 5:00 tomorrow afternoon, as I have indicated, because of Yom Kippur.

We will have a better sense after we begin to go through the questioning. But it might be advisable for us to think about taking a break and continuing tonight for a couple of hours.

Would that create a problem for members of the Committee or for the nominee? I have not had a chance to bring this up. I know that he would love to spend his evenings with us, his mornings

with us, and the next several days with us. Would that create a problem?

Mr. GATES. I am at your disposal, Mr. Chairman.

Senator HOLLINGS. Mr. Chairman?

Chairman BOREN. Senator Hollings and Senator Rudman?

Senator HOLLINGS. Mr. Chairman, with relations to our distinguished colleague from Ohio, Senator Metzenbaum, maybe I can ease that problem by yielding my first half-hour to Senator Metzenbaum. And then on the second go-round, late tonight or late tomorrow night, I am available and give it to him.

Now that does not in any way indicate that I agree necessarily with his question on Iran-Contra. I happen to be for the Contras. And if I could send some aid down there today, Mr. Gates, I would.

So do not misunderstand where I am coming from. But I think Senator Metzenbaum is jumping between Judiciary and the Clarence Thomas hearings and up here at the Gates' hearings. And if we could ease that pressure a little bit and give him a full hour when he does come, I would yield my first half-hour and get my time during the second go-round.

Chairman BOREN. I appreciate that. And let me say to staff of Senator Metzenbaum, please notify him that Senator Hollings would yield him his 30 minutes which would be the fifth person to ask questions today. And then we will have a little better judgment as times goes on whether we need to go into the evening hours. Senator Rudman, who is seeking recognition, has indicated to me there are some other Committee meetings, Ethics Committee responsibilities.

Senator RUDMAN. Yes, Mr. Chairman, at the risk of breaching confidential information, and the press is all smiling broadly, the Ethics Committee is going to be meeting starting this evening at 6:00—and it may be every night—to deliberate an important matter now pending before it.

I deem these nomination hearings extraordinarily important and I would hope to miss very little of the questioning of this witness.

But I did want to put that in the record. I will do what I can. I understand the Chairman's need to accommodate the schedule. I agree with the Chairman's desire. But I wanted the Chairman to know my scheduling problem and make it a matter of record.

Chairman BOREN. I understand and I appreciate that. And let me say we will endeavor not to go into the evening hours tonight but it may be necessary. We will have a little better idea when we see how the questioning proceeds.

And we will commit to 9:00 in the morning instead of 9:30 in order to, again, move the process along as best we can because we will recess at 5:00 tomorrow afternoon for the observance of Yom Kippur and not be in session on Wednesday at all. We will just monitor the schedule as we go along.

There are a couple of items that I want to mention. There was a question raised about Colonel North this morning. Whether in light of the dismissal of the current pending charges by the Special Counsel against Colonel North, would it be appropriate for us to call Colonel North as a witness.

During the noon recess, I had an opportunity to have personal conversation with both the Special Counsel, Judge Walsh and also

with counsel for Mr. North, Mr. Brendan Sullivan during the noon recess. I am told by Mr. Brendan Sullivan that Mr. North would not appear voluntarily before the Committee, would not agree to voluntarily testify without immunity and without immunity would decline to answer our questions.

I was also told by the Special Counsel that he believes that it could interfere with his ongoing investigation for us to attempt to call Mr. North, certainly if we got into any question of granting immunity to Mr. North.

So I would just simply say to my colleagues, having had both of those discussions, it seems to me very difficult and literally impossible for us to try to proceed along that line. I would, however, point out and I have had the staff research this matter, that there was testimony by Colonel North in the criminal case 88-80, docket number CR 88-80, April 12, 1989 in the United States District Court for the District of Columbia.

I simply want to read into the record at this point to make it a part of the record because I think it does relate to the question of Colonel North's relevancy to these hearings the following question and answer given by Colonel North in the course of that trial.

I read this into the record at this point.

"Question: Referring to an earlier statement by the witness, when you say Director Casey was, of course, aware of that, you mean the use of the Iranian arm sales money for the Contras?"

"Answer by Colonel North: Yes, sir."

This relates back to the exact testimony that Senator Chafee was asking about this morning.

Colonel North answered, "Yes, sir."

"Question: Is that something you had told him?"

"Answer by Colonel North: It would have been back in probably January or very early February of 1986 before the first transaction of that kind occurred."

"Question: Had you told the same thing to Deputy Director of Central Intelligence Agency Gates, that Iranian arms sales money were being used for the Contras?"

"Answer by Colonel North: I do not specifically recall telling Mr. Gates that at any point at any time in the whole process up through the end of the operation."

Let me repeat that.

"Answer by Colonel North: I do not specifically recall telling Mr. Gates that"—meaning about the diversion—"at any point at any time in the whole process up through the end of the operation."

So I read that into the record. There has been testimony in the court proceedings by Colonel North in relationship to what he might have told or might not have told the nominee in regard to the diversion.

Because I have been asked questions by Members and others as to whether or not we would expect Colonel North to be a witness, I would just simply indicate we would not expect him to be a witness in light of the conversations that I have had with both the Special Counsel, Judge Walsh, and also with Mr. Brendan Sullivan, his counsel.

At this point we will proceed with the questioning of the nominee.

And again, Mr. Gates, let me remind you that you remain under oath. I am sure you understand that.

Mr. GATES. Yes, sir.

Chairman BOREN. We appreciated your comments this morning.

In listening especially to those remarks that you made at the conclusion of your prepared text, I was struck by the sincerity of them, by the openness and candor of those remarks.

You indicated in the course of those comments and the comments that you made to us this morning, that you had worked very hard to restore what you viewed as the broken trust that had occurred between the Intelligence Oversight Committees and the Agency, both during the time that you served as Acting Director and during the time that you served as Deputy to Judge Webster, let me say that I had full and adequate opportunity as Chairman of this Committee to observe your efforts in that regard.

I would concur with what you said. There is not a doubt in my mind that you worked very hard to restore that relationship of trust. As one Senator, I appreciate the fact that you made such an effort and I think it is an effort that has helped to renew the relationship of trust between this Committee and the Agency.

From my own experience, I would simply say that during the time you served as Acting Director and then as Deputy Director under Judge Webster, there was never a time in which I felt you were not forthcoming in terms of providing information we requested or beyond that, bringing information to us that you thought we perhaps should know even if we did not have the foresight to ask the specific question or to ask for the specific information.

So I do think there was a policy of going beyond what merely was required. And I saw a lot of evidence that not only did you do that, but you were advising Judge Webster as Director to follow the same policy.

So I appreciate that.

I want to follow up on several questions that have been raised by Members this morning in the course of the hearing. And I think these are matters that is important for us to have in the record so that we can have a full understanding of exactly what you knew and when you knew it.

But before I get into the questions that I had planned to ask you, let me turn to what you said in your remarks at the end of your statement this morning.

You said, second, I should have been more skeptical about what I was told. I should have asked more questions. And I should have been less satisfied with the answers I received. Especially from Director Casey.

When you look back on it, could you identify for us those areas where you think you should have been more skeptical and what additional questions do you think that you should have asked that you did not ask?

#### TESTIMONY OF ROBERT M. GATES—Resumed

Mr. GATES. Mr. Chairman, I think of two examples that I had in mind when I wrote that portion of those remarks.



The first was following the lunch on October 9, 1986 which Director Casey had with Colonel North and which I joined. I've testified before that at the very end of that lunch, and at the end of the discussion of the Hasenfus aircraft, I had sought assurance that, although I had already gotten it from our Directorate of Operations, I double-checked with Colonel North just to try to cross every T and dot every I that he wasn't aware through his contacts with the private benefactors of any CIA connection with anything that they might be up to.

And in connection with that discussion, at the very end of the luncheon as I was getting up to leave, Colonel North made, as I've referred to before, a comment with respect to, a cryptic remark about Swiss bank accounts and the Contras. I walked on out of the room, and a few minutes later went back into Mr. Casey's office and said, you know, that just puzzled me and I wonder if there's something that we should be concerned about there, is there some problem or something we should pursue.

And Mr. Casey basically said, well, I didn't pick up on what he said or I didn't catch it and there's nothing to it, don't worry about it. And I let it go. And in retrospect that's the first instance where I believe if I had the opportunity to do it over again, I would have pressed him harder and said, well, now, no, let's think about this. Maybe there's a real problem here.

The second example is after the Director and I met with Admiral Poindexter and gave him Mr. Allen's memorandum of 14 October 1986. We met with him on the 15th and gave him that memorandum. And during that meeting Mr. Casey had advised him to have the White House counsel review the entire Iran initiative and make sure everything was okay, much as I had asked our CIA counsel to review it, and also to think about making it public, that it ought to be made public.

And I should have at that point drawn Admiral Poindexter's attention to the specific reference in the Allen memorandum to the possibility that if Mr. Ghorbanifar wasn't paid his money one of the allegations he might make against the United States was that the money was going to other projects of the United States and the government of Israel. I did not push him on that.

Similarly, and it's really part of the same second example, when we met with Admiral Poindexter on the 6th of November and—

Chairman BOREN. We, being?

Mr. GATES. Mr. Casey and I at our regular weekly meeting with Admiral Poindexter, Casey again recommended to Admiral Poindexter that he have White House counsel review it. And Admiral Poindexter, as I recall, said: "I don't trust Wallison to keep his mouth shut." And I think he may have said, "I'll have my own counsel or somebody look at it."

I should have at that point pressed harder in terms of saying well, if you don't trust your counsel, the White House counsel, to look at it, maybe you ought to have the Attorney General look at it or somebody else. I should have pressed harder.

So those are really, I guess, three examples that I had in mind when I wrote my added remarks over the weekend where I think in retrospect as I've thought about it over the last several years where I wish I had pressed harder.

Chairman BOREN. Thank you for making that clear.

Again, I know those were not easy comments for you to make and clearly reflecting upon them, you feel that confronted with situations like this in the future you would follow a much more aggressive course in trying to get to the bottom of what was going on.

Is that your basic viewpoint in terms of what you've learned from this experience?

Mr. GATES. Yes, sir. And I think that one example I might cite on the other side of the ledger to illustrate that that lesson was not only learned, but fairly quickly learned, was after I became Acting Director on the 15th of December 1986.

Two days later the head of another intelligence agency called me with some information that he was concerned about that involved potentially the involvement of some U.S. Government officials, including potentially a couple of people from CIA in the sale of weapons to the Contras.

And upon learning this information I told him that I thought that that information should be shared with the—I consulted with our counsel. And the general view at the Agency was that it was just pretty much hearsay and nothing to take too seriously. It might even be disinformation.

Nevertheless, with the memories of October, November 1986 fairly vivid in my mind, I called the head of this agency and I told him to convey what he had learned to the Attorney General, to tell the Secretaries of State and Defense, to tell the acting National Security Advisor, and also to inform the Chairmen of the two Intelligence Committees. And that was done.

Chairman BOREN. Let me go back over some questions I have in regard to your knowledge of the diversion of funds from the arms sale to the Contras. And I think it is important that we look into these questions thoroughly. It is not my desire to try to go over unnecessary ground but I think it is our responsibility to look back very specifically at some of the questions that have already been asked of you and that you answered to follow up on them.

The most important development in the unraveling of the Iran-Contra affair, of course, came at the news conference of the Attorney General on November 25, 1986 when he explained that a document had been found which showed that the proceeds from the U.S. arms sales to Iran had indeed been used to assist the Nicaraguan resistance.

This occurred during a period of time when U.S. assistance to the Contras, other than intelligence sharing and communications assistance, was prohibited by law.

This is what we have been referring to as the diversion and it became the focal point of the Iran-Contra inquiry. And of necessity, as we have already indicated, it must be one of the focuses of our hearings in this confirmation process.

I want to go back over some of this same ground so we can all determine on this Committee during what time you did learn about the diversion, what you were told about it, and what actions you did take.

Mr. Gates, you testified that the first time you recall hearing about a possible diversion of funds from the Iranian arms sales to the Nicaraguan Contras was on October 1, 1986 when Mr. Charles



Allen, the National Intelligence Officer for Counterterrorism brought his concerns to you. Is that correct?

Mr. GATES. That is correct.

Chairman BOREN. You testified about this matter at your DCI confirmation hearing in February 1987. The Iran-Contra investigation was just getting underway.

Now we have the result of that investigation. One thing that has emerged from that investigation was an interview with the CIA Deputy Director for Intelligence, Mr. Richard Kerr. Mr. Kerr is now the Acting Director of the Agency. We will be hearing from him in the course of these hearings.

He did not testify under oath in 1987. But we received his sworn testimony in closed session last Wednesday. Mr. Kerr testified in late August of 1986 that Charlie Allen came to him with his concerns about a possible diversion. And he testified that he, Mr. Kerr, then discussed these concerns with you.

This could have been at least a month, he said, before Mr. Allen brought his concerns to you on October 1, 1986.

Do you have any recollection of Mr. Kerr discussing the diversion with you prior to your meeting with Charlie Allen when he discussed it with you on October 1, 1986?

Mr. GATES. No, sir. I do not. I think that in fact Mr. Allen has testified that when he briefed me on the first of October that I seemed to be surprised and even startled by the information that had been brought to me. Now that's the extent of my personal recollection. I will say that I have read not only the transcript of what Mr. Kerr has said, but also earlier interviews with Mr. Kerr by the CIA Inspector General, which took place 9 or 10 months prior to that in early December, 1986.

I think it is important in placing this in context, and again I am reconstructing at this point the kind of relationship that Mr. Kerr and I had had at that time. He had served as my deputy when I was DDI, Deputy Director for Intelligence, and I had certainly supported his promotion to that position when I became Deputy Director of Central Intelligence. Mr. Kerr and I talked many times virtually every day. We would have had conversations, we would have many informal conversations. And I believe that Mr. Kerr has testified that on this occasion when he talked to me, that he had briefed me on several items, and that he did not dwell on this item in particular. He briefly went over it. He indicated, I gather from the testimony, that he did so very quickly. And he did indicate that I told him to keep me informed, and he also acknowledges that he never came back to me.

So as I say, I have no recollection of that conversation, and frankly given the circumstances in which he describes that it took place, that does not surprise me.

Chairman BOREN. So again, not only do you not recall the conversation, you cannot think of any other time in which Mr. Kerr returned to you with any additional information in the sense of reporting back to you about these concerns.

Mr. GATES. That is correct.

Chairman BOREN. Mr. Allen also testified that he took his concerns about a possible diversion to Mr. Kerr in August. And Mr. Kerr's top assistant, John Helgerson, has submitted a sworn state-

ment that he attended Charlie Allen's meeting with Mr. Kerr where the diversion was discussed. Mr. Helgersen says that Mr. Kerr told him later that he, Mr. Kerr, had discussed this matter with you. How do you interpret this testimony?

Mr. GATES. Mr. Chairman, I have never denied that Mr. Kerr may well have broached this subject with me. I have simply said that I had no recollection of it myself. I would regard Mr. Helgersen's recollection as adding weight to the fact that Mr. Kerr did in fact come to me.

Chairman BOREN. But if Mr. Kerr did indeed have some conversation with you about it, either for the way in which the conversation occurred, whether it included several other subjects or the circumstances in which it occurred, it did not register with you that this serious accusation was being made?

Mr. GATES. No, sir, and to the degree that I was concerned, as I say, Mr. Kerr has said I asked him to keep me informed.

Chairman BOREN. In the sworn testimony last week, Mr. Kerr stated that when he told you of the concerns about a possible diversion of funds from the Iran arms sales to the Contras, you replied that you had already heard rumors to that effect. In other words, according to Mr. Kerr, his meeting with you was not the first time you had heard something about a possible diversion, or at least that was his implication.

Does this refresh your recollection in any way and can you recall any circumstances that might have led you to comment about rumors, shed any light on what you might have meant by using the term "rumors", if indeed you did use that term?

Mr. GATES. The only context that I can add, Mr. Chairman, is that I have testified several times that throughout the preceding year or so, we had heard rumors about funding—where the Contras were getting their funding. We had heard rumors about contributions or donations from foreign countries, from the private benefactors and so on. So I had heard rumors about Contra funding, and that is the only context that I can place on what he said.

I would note from his testimony, though, that it appears he was fairly uncertain about exactly what I had said. In fact, when he was interviewed by the CIA Inspector General in December of 1986, he did not have any recollection of that kind at that time.

Chairman BOREN. So if indeed you had made any comments to Mr. Kerr about rumors, comments that you do not now recall making, the rumors that you would have referred to may not have been a direct reference to rumors of a diversion directly from arms sales to Iran to the Contras?

Mr. GATES. Absolutely not, Mr. Chairman.

Chairman BOREN. Let me rephrase the question.

Mr. GATES. I am sorry.

Chairman BOREN. Did you hear any rumor, or did you become aware of any rumor prior to Mr. Allen's conversation with you on October 1, about the diversion of arms sales to the Contras?

Mr. GATES. My memory of this from the very beginning is that the first I heard was from Mr. Allen.

Chairman BOREN. Including even hearing rumors to that effect.

Mr. GATES. That is correct.

Chairman BOREN. Your first recollection then of hearing concerns about a possible diversion were—

Senator CHAFEE. Mr. Chairman, I am mixed up here. Can I just ask one question in the flow? I thought that the witness testified that he had heard—the question you are directing to him is in August of 1986, and I thought that the witness said that he had heard prior thereto a series of rumors kicking around that there was funding going to the Contras, whether it was from private donations or from some place. Am I mistaken in that?

Chairman BOREN. Yes, that's correct, Senator Chafee. What I asked the witness was earlier he described the rumors he had heard as having to do with the Contras getting money from some place. What I asked the witness was had he heard a rumor specifically that there was a diversion of funds of the arms sales to Iran to give the Contras money. And my understanding, let me restate it to Mr. Gates.

My understanding is he is saying he had not heard a specific rumor to the effect that arms sales proceeds were going to the Contras prior to his conversation with Mr. Allen on the first of October. Have I stated that correctly?

Mr. GATES. Yes, sir. And that is my recollection.

Senator CHAFEE. Thank you.

Chairman BOREN. Your first recollection then was in hearing about it from Charlie Allen. It now appears, however, that at least one other senior CIA official, Alan Fiers, the head of the Central American Task Force, had direct knowledge of the diversion before October 1, 1986. According to his plea, Mr. Fiers was told by Oliver North by late summer of 1986 that proceeds from U.S. arms sales to Iran had been used to support the Contras. And Mr. Fiers conveyed this information personally, according to Mr. Fiers plea, to his two immediate superiors in the CIA, Clair George, the Deputy Director for Operations, and the then Chief of the Latin American Division, by late August of 1986.

So I am quoting what Mr. Fiers says in his plea. He told Clair George and the Chief of the Latin American Division by sometime late August 1986. Did Mr. Fiers ever tell you that North had made this statement about the diversion?

Mr. GATES. He did not.

Chairman BOREN. Did the Chief of Latin American Division at that time ever tell you that North or anyone else had made this kind of statement about a diversion?

Mr. GATES. He did not tell me what Fiers is alleging he told the Division Chief.

Chairman BOREN. Well, let me put it this way, did the Chief of the Latin American Division during this period of time, prior to October 1, 1986 or prior to the public disclosure of the diversion, did the Chief of the Latin American Division ever come to you and tell you about the diversion?

Mr. GATES. He did not.

Chairman BOREN. Did Mr. Clair George ever tell you about the diversion of funds to the Contras?

Mr. GATES. He did not.

Chairman BOREN. Prior to it's being made public?

Mr. GATES. He did not.

Chairman BOREN. Did Mr. Clair George ever tell you that North had made a statement to him about the diversion?

Mr. GATES. He did not.

Chairman BOREN. After Charlie Allen brought you his concerns about a diversion to the Contras, did you ever ask the CIA officials who were responsible for Nicaraguan operations whether they had any information that might confirm Mr. Allen's concerns?

Mr. GATES. No, sir, I did not.

Chairman BOREN. Specifically, did you ask Mr. Fiers as Chief of the Central American Task Force, or did you ask the Latin American Division Chief if they might have any information that would relate to Mr. Allen's suspicions?

Mr. GATES. No, sir, I did not. After I told Mr. Allen to see the Director and to convey his concerns to the Director, he did that on the 7th of October and we asked him to put his concerns in writing. He did that and gave us that paper on the 14th of October. At that point, I asked Mr. Casey for permission to share with the General Counsel the information that Mr. Allen had conveyed in his memorandum. And to the best of my recollection, the General Counsel is the first person that I shared that information with.

Chairman BOREN. So your action was to say to Mr. Allen, I am going to take this to Mr. Casey, put it in writing. And you also took these charges to General Counsel. Is that correct?

Mr. GATES. That is correct.

Chairman BOREN. Since we have Mr. Fiers as the head of the Central American Task Force, and we had the Head of the Latin American Division obviously dealing with Latin American programs, why did you not in addition raise questions to them about Mr. Allen's concerns?

Mr. GATES. Quite frankly, Mr. Chairman, I think that this is one of those areas during that first 2 weeks in October where I could have and probably should have acted more aggressively in involving more people. I had come in the middle of the Iran initiative. When I became Deputy Director, it had already been underway for several months. It was an area that Mr. Casey had handled primarily. And it seemed to me that when Allen came to me with his speculation, and he has variously described his own presentation to me as an analytical conclusion and as sheer speculation, I certainly took it as speculation.

It seemed to me that the appropriate thing was to take it to Mr. Casey. It was then—I cannot remember whether it was my idea or the General Counsel's to share Mr. Allen's memorandum with Admiral Poindexter and have the White House Counsel look at it, but certainly that was the recommendation of the General Counsel.

Chairman BOREN. Last week the Committee heard sworn testimony in closed session from the former Latin American Division Chief who held that position after April 1986, he will be referred to in my question as Latin American Division Chief number two. The Latin American Division Chief two did not recall any mention of a diversion, but he recalled one occasion when Mr. Fiers came to him and asked what to do if he learned something very sensitive about an operation.

And I am now going to quote what the LA Division Chief number two said, "Alan came to me and said a very conjectural

kind of thing. He said, what if I were to know something very, either sensitive or important or scandalous, about this whole program we are involved in, who should I talk to about it. Something like that. And I cannot remember what it was, but it was very conjectural, and what if I, and I cannot remember the wording he used." He is talking here about Alan Fiers. "But it was clear to me that the conversation had nothing to do with the Agency. And I do not remember that I told him back, but I think I would have told him something like if it is something is illegal, you better tell the lawyers. Or if it is something that is politically a hot potato, I would take it to the seventh floor," meaning the management floor, the administrative floor of the Agency. I asked the witness if he remembered directing Mr. Fiers to pass the information on to Clair George immediately. And the Latin American Division Chief number two replied, "Well, I think I would have said the seventh floor. Whether I said Clair George would mean the next one up, or whether I said Casey, I just cannot recall."

This testimony suggests the possibility that the rumors recalls you mentioning in August might have been the result of Mr. Fiers reporting Oliver North's statement about the diversion to someone on the seventh floor. Do you think that is a possibility?

Mr. GATES. I just do not know the answer, Mr. Chairman, to that. It could be. I just do not know.

Chairman BOREN. But had you ever heard anything from anybody else on the seventh floor about Alan Fiers coming to talk with them about the possibility of a diversion of funds?

Mr. GATES. No, sir, certainly not. I do not have any recollection of it and certainly not before Charlie Allen came to me. I do not have any specific knowledge of it.

Chairman BOREN. As Deputy Director for Operations, Clair George was aware of both the Iran arms sales and the Central American program. They were both Operations programs so obviously he was aware of both. He was in charge of all of the Agency's clandestine operations. After Charlie Allen explained his concerns about the diversion on October 1, did you ever ask Clair George what he might know about it?

Mr. GATES. I do not believe so, no, sir.

Chairman BOREN. Again, the reason is that you felt it was more appropriate to take it to Mr. Casey and higher authority. Is that the reason?

Mr. GATES. That is correct.

Chairman BOREN. The public record of the Iran-Contra investigation shows that Clair George as Head of the Directorate of Operations, assigned a senior Near East Division case officer to work with Ollie North and Charlie Allen on the Iran arms sale and that the Chief of the Near East Division, Tom Twetten, was monitoring the Iran operation closely. Given the direct involvement of the Operations Directorate with the Iran Arms sale, why did you not ask Clair George why he or any of his people might know something about it? Or why did you not ask Tom Twetten if he knew anything about Charlie Allen saying something about a diversion?

Mr. GATES. Well again, Mr. Chairman, this is one of those areas where I think if I had pursued this more aggressively that those would have been the natural people to talk to. As it was, I was con-

tent, as I indicated in my statement at the opening, to pass the information that I had on to Mr. Casey. I might just say, just to provide a little context, Mr. Chairman, that during that 2 weeks in October, there were a lot of other things going on. I took this action and I acknowledge that I should have done more, but I think I was not just sitting around contemplating this matter. There were many other things going on at the time.

It was the time of the Reykjavik summit. We had a coup attempt in the Philippines, false Soviet withdrawal from Afghanistan. We had a break in relations between Britain and Syria over a terrorist incident. There were a number of other things going on, and, in addition, I was getting ready to make my first ever trip as an Intelligence Official to the Middle East, leaving in mid month. So I was preoccupied with these other matters, and as I have looked back on it in retrospect, I think that frankly, I just did not pay close enough attention to it, and I felt that I had discharged my responsibility by passing the information I had heard on to Mr. Casey.

Chairman BOREN. It is obvious from your statement to us this morning that for a long time you have given some thought about the question of how much Director Casey might have known about the diversion, not only just since the Fiers plea, but obviously before that. You have wondered how much Mr. Casey knew about the diversion and when he may have known it. He is not here for us to ask him directly.

Oliver North told Alan Fiers about the diversion as he now admits and Colonel North has testified that he had told Mr. Casey about the diversion. If you now believe that Director Casey may have known about the diversion and you say in your statement this morning you should have been less satisfied with answers you received, especially from Director Casey, why do you think that he did not tell you about the diversion?

Mr. GATES. Well, with the caveat that at least I don't know and I don't think anyone does, I think that he must have—he would have done it in order to shield CIA as an institution from the activity.

There was a lot of testimony during the Iran-Contra hearings during the summer of 1987 about cutting CIA out, about misrepresentations to CIA by various people involved, protecting the institutions and so on.

If the presumption of the question is correct, then it seems to me that is as good an answer as I can come up with as to his motive.

Chairman BOREN. If indeed he did know about the diversion and you clearly indicated that he never told you, is that correct?

Mr. GATES. That is correct.

Chairman BOREN. It is a painful thing for you to contemplate, the possibility that he did withhold this information from you?

Mr. GATES. Yes.

Chairman BOREN. I now want to turn to your role in the preparation of Director Casey's initial testimony on the Iran operation which you delivered to both Intelligence Committees on November 21, 1986.

You were questioned at some length about this at your previous confirmation hearings and, frankly, some Members I think came away with an impression that we had not really gotten all the details about that period of preparation.



So I want to go back over it. I think it is important. It is a matter about which some concerns have been expressed, and Members have said this morning, it is important we clear the air on any unresolved matters. So I ask it in that spirit.

Indeed, the prepared statement that Mr. Casey delivered that day, omitted significant details about the Iran operation which the documentary evidence showed that you and others at the CIA might have been aware of or might have been exposed to during the previous year.

There was no mention, for example of the speculation that you and Director Casey had heard from Charles Allen about the so-called diversion. That was no mentioned in the statement.

There was no mention that the CIA might have known that the November 1985 flight from Tel Aviv to Teheran was carrying Hawk missiles.

There was no mention of the Finding the CIA drafted to retroactively authorize the assistance that CIA had provided the November flight.

There was no mention of the roles that Mr. Secord or Mr. Hakim might have played. No mention of Colonel North or Poindexter by name.

You testified then and have testified since that you regret that the Casey statement had not been more complete. It was the best that could have been done, you said, under the circumstances, and you have strongly denied that there was any deliberate attempt by you to conceal relevant information from the Committee.

In preparation for these hearings, the Committee has made an extensive effort to reconstruct the events surrounding the preparation of this testimony, and to provide some context for my questions, I would first like to provide a short synopsis of the events of that week as we understand them.

I ask for any comment you may have in terms of its accuracy and then move on to your recollections with respect to several specific points.

So let me first begin with a summary and if at any point I misstate the facts or the sequence as you understand them, please don't hesitate to interrupt me.

Casey's testimony was to be delivered to both Intelligence Committees on Friday, November 21, 1986. Casey left on Sunday, November 16th on a trip to Central America, leaving you with instructions to take charge of the efforts to draft the testimony which was intended to describe the CIA's role in the arms sales to Iran. Is that correct so far?

Mr. GATES. Yes, sir. My recollection is that that memorandum basically simply laid out a number of things that he wanted gathered for him in preparation, various documents, briefings on terrorism. He wanted some refreshment on some other ideas.

I don't specifically recall whether it tasked me to prepare the testimony, but it asked me to take care of getting these things for him.

Chairman BOREN. So in essence, he left on Sunday, November 16th. He was to testify on Friday, November 21st, and he said to you in essence, get some information together for me that I am going to need for my testimony?

Mr. GATES. Yes.

Chairman BOREN. On Monday, November 17th, you spoke by secure telephone with Casey and obtained his consent for the general approach the statement would take. It would be limited to the CIA's role in the Iran operation, but not attempt to defend or explain the Administration's policy. Is that correct?

Mr. GATES. That is correct.

Chairman BOREN. Casey would deal with that, the policy questions during the question period if necessary.

Mr. GATES. Yes, sir.

Chairman BOREN. You passed this guidance on to the CIA staff at a meeting you chaired at the CIA on Monday afternoon and urged them to pull together the relevant facts. Is that correct?

Mr. GATES. Yes, sir.

Chairman BOREN. On Tuesday, November 18th, you spoke again with Director Casey in Central America and relayed a request from Admiral Poindexter urging him to return sooner than planned from Central America so that he could join a meeting that Poindexter was arranging at the White House for Thursday afternoon to review the upcoming Casey testimony. Is that correct?

Mr. GATES. Yes, sir.

Chairman BOREN. The same day, Clair George and members of his staff briefed the staff of the two Intelligence Committees on CIA's role in implementing the Finding of January 17, 1986, but did not cover events prior to the Finding. Is that correct to the best of your knowledge?

Mr. GATES. That is my understanding, yes.

Chairman BOREN. The first draft of Casey's prepared testimony was completed based largely upon information included in the staff briefings. The first rough draft of the Casey testimony would have been on Tuesday, November 18th.

Mr. GATES. I think, Mr. Chairman, as we have been able to reconstruct it, and I admit that this has been one of the—reconstructing these drafts and so on has been one of the most elusive things we have dealt with in trying to put together what actually happened that week.

The best picture that I have been able to put together from the testimony and the statements from a variety of other people is that first of all, we were unable to pull together a draft statement in time to be sent down to Mr. Casey. He had hoped that one of the, one of our officers could bring down a draft statement to him in Central America that Wednesday, that he could then work on it on his way home.

We had a great deal of difficulty, and you will probably get to this in your chronology, but as of Wednesday afternoon we were having a great deal of difficulty, the Directorate of Operations officers, in pulling together an accurate picture of what in fact exactly had happened, particularly in November of 1985.

A lot of the principal characters, Mr. McMahon, Mr. Juchniewicz, Stanley Sporkin, had all gone on to other jobs and were no longer with the Agency. So we were unable to get a draft to Mr. Casey on Wednesday.

We think that the first full draft of what, of the testimony that Mr. Casey was to deliver is the draft that is dated 1200 hours on



Thursday, the 20th. Prior to that, people were basically working from chronologies as best as we have been able to reconstruct it.

Chairman BOREN. All right. So as you understand it, there was no formal first draft on Tuesday. There were still various documents and various chronologies and other documents in various stages of preparation.

Mr. GATES. That's my understanding, yes, sir.

Chairman BOREN. And that at least you didn't have anything completed in time to send it to Mr. Casey on Wednesday?

Mr. GATES. That's correct.

Chairman BOREN. Now, again, we have tried to go through this very same process here at the Committee staff trying to reconstruct this chronology. According to our best efforts, on Wednesday afternoon you chaired another meeting with the CIA staff involved in the drafting effort. Do you recall doing that?

Mr. GATES. Yes, sir.

Chairman BOREN. At this meeting it became apparent that with respect to the period prior to the January 17th, 1986 Finding, the staff has conflicting information about it. Apparently, the people you were dealing with had some conflicting information about what went on in the Agency or what went on in general prior to the Finding being issued on January 17th.

Mr. GATES. Yes, sir. In fact, the reason that the meeting, that I called the meeting was that the General Counsel had begun coming across information that indicated a great deal of uncertainty on an important point, which was, who in CIA had known in November 1985 what was on the aircraft that flew to Iran?

The original premise of those who had put together the chronology and were doing the basic work, most of whom and perhaps all whom had not been involved at that time, so they were working on the basis of other peoples' recollections, their original premise had been that no one in CIA had known what was on that airplane in November 1985 contemporaneously.

But Mr. Doherty came to me and said that in fact it was beginning to look like that wasn't the case, that perhaps one of our chiefs of station in Europe had known, that certainly it appeared that the pilot of the proprietary aircraft had known.

So the facts, as we got closer to the testimony, ironically, the facts began dissolving before our eyes, rather than becoming firmer, and it was at that meeting that Mr. Doherty suggested that we postpone the hearing.

And I told him that I didn't think that that was politically possible in light of the fire storm that was going on, and so I insisted, in talking with him, that we be sure and include in the testimony a caveat to the effect that we were still trying to gather facts.

Chairman BOREN. When you said you didn't think it was politically possible in this meeting on Wednesday afternoon; saying maybe we ought to wait, not testify before the Committees, you were saying you didn't think the Committees would agree to wait? They were—

Mr. GATES. That is exactly correct.

Chairman BOREN. They were demanding that someone appear and testify?

Mr. GATES. Yes, sir.

Chairman BOREN. Later the same afternoon, this is again on Wednesday, you, Mr. George and his assistant attended a meeting at the White House with Mr. Poindexter and Colonel North to review what Clair George had briefed to the Intelligence Committee's staffs the day before, is that correct?

Mr. GATES. Yes, sir, that is my recollection.

Chairman BOREN. And Mr. Casey then returned very late that evening from Central America with a—we have here that he returned with a copy of his draft testimony which had been couriered the day before. But you are indicating that you are not sure whether there was a draft prepared sufficiently to have been sent to him or not.

Mr. GATES. We have not been able to find such a draft, Mr. Chairman.

Chairman BOREN. So you are uncertain of that?

Mr. GATES. Yes, sir.

Chairman BOREN. But he did return that evening from Central America?

Mr. GATES. Yes, sir.

Chairman BOREN. And on Thursday morning, according to our best information, Casey had a meeting in his office which you attended along with the CIA officers most knowledgeable of the Iran arms sales operation to discuss their recollections. Is that correct?

Mr. GATES. I had lost track of that meeting, but—

Chairman BOREN. The next morning after he got back.

Mr. GATES. Yes, sir.

Chairman BOREN. He convened a meeting—does that sound right to you, that he convened a meeting of several people to discuss their recollections.

Mr. GATES. Probably, yes, sir.

Chairman BOREN. And then a new version or perhaps the first complete version of a statement then was prepared?

Mr. GATES. Yes, sir.

Chairman BOREN. According to our records, at 1:30 Thursday afternoon, you and Director Casey attended a meeting at the White House with Poindexter, North, Attorney General Meese, Assistant Attorney General Charles Cooper and others, we are not sure what others, to discuss Casey's prepared testimony or the testimony he was to give.

Mr. GATES. When I went to the meeting, Mr. Chairman, I thought that the sole purpose of our attendance was to correct something in the record where there had been a difference between the CIA recollection and the NSC staff's specifically, Colonel North.

And I think it came out of a meeting the preceding afternoon between the fellow doing some of the work for the Agency on the chronologies and Colonel North in which there was a difference over who had asked for the use of the proprietary aircraft in November 1985.

Our staff was saying that it was in fact Colonel North, Colonel North was suggesting that the Israelis had asked for it. So my sole purpose in going to this meeting, and frankly, I had thought that it was the primary purpose of our going, was simply to clarify this

and basically say that we had a couple of officers who were prepared to swear that our account was an accurate one.

And that change was sort of automatically accepted. There was no dispute or issue over it at all. I might add that the meeting was in progress involving Admiral Poindexter and the Attorney General and Mr. Cooper when we arrived, and they were still meeting when we left.

Chairman BOREN. Would you repeat the last sentence.

Mr. GATES. Just that Admiral Poindexter had been meeting with the Attorney General and with Mr. Cooper when we arrived and they were still meeting when we left.

Chairman BOREN. So really you resolved this one issue pretty rapidly and that was your major focus?

Mr. GATES. Yes, sir.

Chairman BOREN. I understand that Poindexter was to be meeting with the Chairman and Vice Chairman of the Intelligence Committees on the same subject prior to, that was your understanding, that he would be meeting with them prior to Mr. Casey appearing. Is that correct or do you know?

Mr. GATES. I may have been told that he was going to have that meeting, Mr. Chairman, but I forgot the specifics of it.

Chairman BOREN. Right after the meeting at the White House you and Casey returned to the CIA, according to our records, for another meeting with the staff to review another amended version of the testimony or the latest version of the testimony.

Mr. GATES. Yes, sir.

Chairman BOREN. Not everyone had the same draft at the meeting. There were different documents floating around, is that correct?

Mr. GATES. The meeting was fairly chaotic, Mr. Chairman.

Chairman BOREN. Mr Casey made changes in the text but participants were not sure what he was doing. Is that a correct statement?

Mr. GATES. Mr. Chairman, it may be worth setting the stage. This meeting took place in the Director's conference room and there were probably 12 or 14 people there. They were all arguing with one another about what the facts were. There was more than a little shouting going on.

Casey was writing and tearing up pieces of paper and there was just general pandemonium in the course of this thing and it was very difficult to tell what was going on.

Chairman BOREN. So you weren't clear yourself exactly what changes Mr. Casey was making in the text?

Mr. GATES. That is correct.

Chairman BOREN. I have to say, having been on the Committee when we had special ear pieces fixed on our hearing room so that we could hear Mr. Casey more clearly and try to understand what he was saying to the Committee at all times, I can understand that.

Our attempts technologically to improve the clarity of what he was saying were unsuccessful, during that period of time on the Committee.

It is clear however that differing recollections of the period prior to January 1986 were offered, what was going on, what had gone on, there were various competing views at this meeting?

Mr. GATES. Yes, sir. There was a lot of debate, particularly over, I think, most of the dispute was over the period prior to the January 1986 Finding.

Chairman BOREN. As far as you are personally concerned, was this your last involvement in the statement per se?

Mr. GATES. Yes, sir. The last full typed draft that I saw before Mr. Casey testified or that I read was the one that was dated 1200 hours on the 20th.

And I might add, Mr. Chairman, that it had a number of facts in it, information that during the course of the day—what resulted from that meeting that afternoon and then further changes overnight—were deleted.

It included, for example, the fact that the Israelis had vouched for the reliability of Mr. Ghorbanifar, although he was not named by name. It included the fact that NSC had in fact asked for use of the proprietary in November 1985. It had the name of the proprietary. It mentioned Mr. Hakim and the fact that he was a designated contact point.

Chairman BOREN. These are things that were in the statement when you last saw it?

Mr. GATES. Yes, sir. It included the fact that the Iranians had agreed to provide a portion of the TOWs to the mujahadeen, as part of the deal. It included meetings that had taken place between Mr. North and Rafsanjani's nephew, and between, I think Mr. Cave, and a relative of Khomeini's.

It did not have a lot of the detail in it that was later added in terms of the dates and the numbers of the arms shipments that were added later in the afternoon and so on. But there was a fair amount of detail in there that had not been in before, and I think it is the recollection of at least one or two of the people who were involved in putting the testimony together, that the only reason that there was mention of the November 1985 flight at all in the testimony was because I insisted.

Most of the others, presumably because of the uncertainties, had argued against mentioning the November flight but I insisted on putting it in.

Chairman BOREN. So there were substantial differences between the last version of the statement, both additions and deletions, as you saw it when you left for the day and the time it was presented to the Committee?

Mr. GATES. Yes, sir.

Chairman BOREN. And as I understand it, Mr. Casey and his assistant took over responsibility for making further revisions after you had left for the day. Is that correct?

Mr. GATES. Yes, sir. I think there is another draft dated 8:00 that evening. And then there may have been another couple of drafts the next morning.

Chairman BOREN. Mr. Casey appeared before the House Intelligence Committee the next morning at 9:00 a.m., and before this Committee at 11:15 a.m. He returned to the House Committee at 1:30 to complete his testimony.

Did you attend these hearings yourself?

Mr. GATES. I did not.

Chairman BOREN. Let me turn now to questions about one or two very specific areas, and then I will turn over the questioning to the Vice Chairman. I think that sequentially this might just be helpful, for later questioning by the Members, to get one or two of these points concluded before I cease my questioning at this point. Because other questions may want to build on it.

The December 5, 1985 Finding, according to the statement of former CIA General Counsel, David Doherty, in the course of preparing the Casey testimony, an attorney in his office, Bernard Makowka found an unsigned copy of the December 5, 1985 retroactive Finding which he gave to you at a meeting at CIA which, as best we can determine, is the meeting which took place with the staff on November the 19th in the early afternoon. This is one of these meetings you were having with the staff.

Mr. GATES. Yes, sir.

Chairman BOREN. He says he brought this to your attention and you said you would look at it. The Committee has a copy of this document which we will show you now.

Do we have a copy here? It is a document purported to be the retroactive Finding, unsigned, dated December 5. Do you recall General Counsel Doherty providing this to you?

Mr. GATES. I have no direct recollection of it, Mr. Chairman. But I have certainly no reason to quarrel with it.

Chairman BOREN. Are you not sure whether it was given to you in this meeting or not?

Mr. GATES. I assume that it was.

Chairman BOREN. You assume that it was?

Mr. GATES. Yes, sir.

Chairman BOREN. But you have no direct, personal recollection of it?

Mr. GATES. That's correct.

Chairman BOREN. Did you relate it to anything you had known about earlier, for example, the meeting in John McMahon's office?

Mr. GATES. No, sir. I had completely forgotten about the December 5, 1985 meeting in Mr. McMahon's office, when I had still been Deputy Director for Intelligence. And I was not reminded of that meeting until his assistant reconstructed her notes of the meeting about 1 week after Mr. Casey's testimony.

As we have tried to reconstruct the putting together of Mr. Casey's testimony, it is clear that there was a major dispute over this Finding, and whether it had existed, whether it had been signed, what its status was. And the net result of it was tremendous uncertainty and a general sense on the part of most people that, in fact, there had been no such Finding. But there was a great deal of uncertainty about it.

Chairman BOREN. Did you take any action with respect to any unsigned copy of a Finding that Mr. Doherty recalls giving to you at this meeting or showing to you at this meeting?

Mr. GATES. No, sir, only to see that some of these matters were tracked down. I know that at one point somebody told me that Mr. McMahon or Mr. Junchiewicz might have some information, and that it may have been in relation to this Finding. And I directed them to telephone them and find out.

Senator CRANSTON. Mr. Chairman, may I ask a question at this point?

Chairman BOREN. Yes, sir.

Senator CRANSTON. I am a little baffled by the uncertainty about the existence of the Finding. Are there not any records kept or files kept that clearly indicate whether a Finding has been made or not made?

Mr. GATES. Yes sir, there are, Senator Cranston. And this is one of the things that I found fairly strange about this entire affair.

Nobody had seen—that I was aware of—had even seen this Finding. There was uncertainty whether it had even been signed. I think most people were aware that there was a January 17 Finding. But we didn't even have a copy of that. And we didn't get a copy of that Finding until I urged Mr. Casey to ask for it in October of 1986.

So it was one of the—I'll be honest with you—one of the several aspects of the whole Iran-Contra affair that from the standpoint of CIA was incredibly irregular, the idea that we had such uncertainty. Now I think that it did not trouble people so much at that time because there had been no operational activity between the November 1985 flight and the signing of the January 1986 Finding. So that there was no sense of concern on anybody's part that operational activities had taken place subsequent to that November flight that would have required a Finding.

So I think that people were, I suppose, less concerned about their uncertainty for that reason.

Senator CRANSTON. Thank you.

Chairman BOREN. Mr. Makowka discovered the Finding—and I apologize for going on a little longer on this point. But again, I relate it to the preparation of testimony. And I want to try to nail this down.

Mr. Makowka, who discovered the Finding, also recalls that Dougherty had told him that you had raised the matter of this Finding at a meeting with North and Poindexter. And that either or both had told you—I am talking about North and Poindexter—had told you the Finding does not exist.

Makowka says he then relayed this to Charlie Allen, whom he discovered was aware of the existence of the Finding, which you refer to as the mini-Finding. Allen confirms this account and recalls subsequently phoning North about the matter, and being told bluntly, the Finding does not exist.

Allen then called Makowka back and told him that if the CIA raises this, it will be our word against theirs.

Did you, in fact, ever raise the matter of the unsigned, retroactive Finding, the so-called December 5th Finding, with North or Poindexter?

Mr. GATES. I don't remember doing so, no, sir.

Chairman BOREN. So you would not recall if they had any response because you do not recall raising it?

Mr. GATES. No, sir.

Chairman BOREN. Looking at this strictly from CIA's point of view, if the White House insisted the Finding did not exist, it would mean that CIA had provided assistance to the November 1985 sales without proper authority, would it not?



Mr. GATES. Well, sir, we had a long discussion about this in 1987. And I think that where the General Counsel's office came out—and again, I'm having to defer to the various attorneys involved in this, and frankly it sounds to me like they're splitting some fairly fine hairs here. But I think their argument was that the decision of those in 1985 who allowed the proprietary, or who allowed the proprietary to make this mission, acted properly based on the limited information that they had at the time they made the decision.

The reason that Mr. McMahon became upset, when he learned about it early the following week—the next Monday, I think, this happened over a weekend—was that McMahon had been told that there might be further such flights and he realized that any kind of continuing effort like this would require a Finding. And I gather that as—again, trying to piece it together in retrospect—that that was the view of the General Counsel at the time, Mr. Sporkin. And further, that Mr. Sporkin wanted to try and write the Finding in order to cover the November flight itself, as sort of the beginning point of that.

There's no question in my mind, from a policy standpoint, that there should have been a Finding at that time.

Chairman BOREN. Right.

Well, Charles Allen has also told the Committee that he attended a meeting on the morning of Thursday, November 20, 1986, with Mr. Casey, where he raised the matter of the earlier Finding—which he described as a mini-Finding—and that Clair George told him quite firmly the Finding did not exist and he should drop the subject.

Now Director Casey's calendar for that day shows you were at attendance at this morning meeting. Do you recall Mr. Allen having raised the matter of the retroactive Finding at the meeting with Casey and being told it be kept quiet by Mr. George?

Mr. GATES. No, I don't. I don't know why there would have been any embarrassment or reluctance to include mention in the testimony about the Finding. If it existed, it would have, I think, strengthened CIA's position, not made it look worse.

Chairman BOREN. Well, just to refresh your recollection of what was going on at the time, the President held a news conference on November 19, the same day you were meeting with Poindexter and North, where he said basically that it was not arms for hostages. The wording of the December 5, 1985 unsigned, so-called retroactive Finding flatly contradicted that.

We now know that Admiral Poindexter ripped up the only signed copy of this Finding on the afternoon of November 21, the day of Casey's testimony, to prevent political embarrassment to the President.

Were you ever told by Poindexter, North, or Casey, that you should not raise the retroactive Finding because it would be politically embarrassing to the President?

Mr. GATES. Absolutely not. And I must tell you, Mr. Chairman, that as somebody who has sat in the bureaucracy and also sat in the White House for a long time, when there is a politically-controversial event, or a foreign policy catastrophe which was what people believed we were confronting that week, the general instinct

of most bureaucracies is a very real willingness to throw the President overboard at the first chance.

Chairman BOREN. I have indicated, and earlier in our summaries I have gone through it, that Casey's prepared testimony failed to mention the speculation concerning the diversion of arms sales funds to the Contras. And while you said at different times that there were just bits and pieces about this—including what Charlie Allen had told you, and what you had passed on to Director Casey—the fact is, if they were true, they would arguably constitute a violation of the law in effect at that time which prohibited U.S. assistance to the Contras.

Did it occur to you at this time that that would have been a violation of the law, and would it have made a difference in terms of your calculation not to put even some speculation of the diversion into the Casey testimony at that time?

Mr. GATES. No, sir.

After we had given Mr. Allen's memorandum to Admiral Poindexter on the 15th, I then left on a trip for the Middle East for some 2 weeks, and it broke my continuity with this, with this entire business.

I think that the thing that we were focusing on, and I think it may help explain why I sent Mr. Allen to Mr. Casey, but also I think helped shape our approach in November, was that what Mr. Allen talked about in his memorandum, and in the various conversations about operational security, really meant we were on the verge of a foreign policy catastrophe. What Mr. Allen was basically saying in his memorandum, and the speculation about a diversion has taken on great significance, in retrospect—as it properly should—but at the time the focus was on the fact that we were on the verge, or the very great likelihood of the revelation of, in fact, an arms-for-hostages policy that would not only have tremendous repercussions here at home, but also overseas.

And that clearly was what was shaping our thinking at the time in November. So it was this operational security, this foreign policy aspect of it that I think was preoccupying most people. And frankly, having not heard any new information about a possible diversion, it was—it just didn't occur to me to put it in the testimony.

Chairman BOREN. One other matter on the testimony—the November 1985 flight—obviously we have had discussion going on about what the cargo was. The CIA had been told by North that it was oil drilling equipment. The CIA lawyers recall being briefed that it was missiles or some types of arms.

An early draft of Casey's statement stated that no one in the U.S. Government had learned that the cargo was missiles until mid-January 1986. And subsequently, this was changed to read no one at the CIA had known what the plane had carried until mid-January.

And in the end, the sentence was taken out of the Director's statement all together on the basis of former General Counsel Sporkin's clear recollection that he had known a few days after the flight that the cargo had been arms. I guess that was during a discussion about whether there should be a Finding or not, as well as conversations Casey had with Poindexter and others.



The prepared statement Casey actually delivered said only that "The Agency was asked to recommend a reliable airline that could transport a bulky cargo to an unspecified location in the Middle East. When the plane got to Tel. Aviv, the pilots were told the cargo was spare parts for the oil fields, and it was to go to Tabriz." There was no mention that Sporkin or anyone at the CIA recall learning within days of the flight that missiles, or arms, or munitions of some kind had been aboard. There was no mention of that. But some people in the Agency had been told that.

When Director Casey was asked by Senator Leahy, later in the questioning, when the CIA had learned that the November 1985 flight had carried missiles, Casey reverted to the sentence in the statement that had been deleted the night before and said the Agency did not know until the Iranians told them some time in January of 1986 by way of complaining about the inadequacy of whatever was delivered.

While it may be understandable the Director was in no position to provide a definitive answer in terms of what CIA as an institution understood had been on this November 1985 flight, or when CIA officially learned this, why was there no mention that some present or former employees at CIA, particularly the former General Counsel, recall being contemporaneously aware that the flight carried missiles or arms? Why would that have been, and why would not the oversight committees have been advised of that possibility?

Mr. GATES. Mr. Chairman, that part of the testimony was completed after I had gone home. And frankly, in all of the disputes and telephone calls of that Thursday evening, and on in—late into the night, I guess I was considered sufficiently on the periphery. No one ever called me about it at all.

Trying to figure out what happened with this sentence about who knew what, when, has been one of the most difficult aspects of this testimony. As best as we have been able to reconstruct, the sentence that no one in the U.S. Government knew about the flight—knew what was on the airplane, never appeared in one of the drafts of Casey's testimony.

I think what happened, and again, I have to be a little tentative because of the nature of all of this—I think what happened was that when Casey and I went down to Poindexter's office on the afternoon of the 20th, we took with us a one-page chronology of CIA's involvement in the Iran affair.

On that chronology was an entry that said no one in CIA knew what was on the plane. This had not been changed to reflect the discussion that I had had with Mr. Doherty the preceding afternoon, indicating that there was growing doubt about who in CIA had known what was actually on the plane.

In any event, during that discussion either Colonel North, or Admiral Poindexter—and I have not remembered which—said, well no one in the U.S. Government knew what was on that plane. And Mr. Casey wrote that on that one-page chronology.

I think that that is what then gave rise to Mr. Cooper's concerns that then involved, through the course of the evening, Judge Sofaer and a variety of other people. But in none of the drafts of Mr. Casey's testimony that the Agency has been able to locate does

that sentence appear in his testimony. And I think the reason that there is no reference to it is that late that night, there was this long argument between Mr. McCullough—Mr. McCullough was the Staff Officer handling the final drafts of the testimony with Mr. Casey—and Mr. Doherty, the General Counsel, debating between them and perhaps others about exactly how accurately they could say what had happened. And they finally gave up in despair that they could not figure it out, and struck the sentence—or Mr. Casey struck the sentence—because he could not be sure what the facts were.

I think that the slow progress of our investigation was reflected a couple of weeks later when Mr. Casey testified—I think the sentence ended up back in—to the effect that no one in senior management at CIA knew, at the time, what was on the plane.

But I think it was the basis of—I think it was this confusion and uncertainty that night that led them finally just to strike it altogether because they couldn't be sure what was accurate. But that was all after I had left the scene.

Chairman BOREN. A couple of other quick, final questions on the subject of the testimony.

We now know there were efforts by Colonel North to construct false chronologies to conceal the role of the United States in the November 1985 flight. Are you aware, or were you aware of any other attempt by North, Poindexter, or Casey, to deliberately conceal U.S. or CIA knowledge of the November 1985 flight from the Intelligence Committees?

Mr. GATES. No.

Chairman BOREN. In this regard, Poindexter later testified that when he spoke to Director Casey in his home, later in the evening of November 20, this would be after you had already left, that he told him that they would have to be cautious in terms of what they told the Committees about the November 1985 flight. Did Casey ever report this conversation to you?

Mr. GATES. No, sir, I don't think so. I might mention, Mr. Chairman, that one of the ways that Judge Sofaer and the others got involved was that I had authorized Mr. Doherty late that afternoon, to make copies of the next draft of the testimony available to both the Secretaries of State and Defense. He then asked me if we could make it available to their General Counsels as well. And I said I didn't have any problem with that, but it was up to the Secretaries. So I was trying to get the information around in a way that people who could double-check the testimony had access to it.

Chairman BOREN. After Mr. Casey gave his testimony on the Hill, did you seek to find out what he had said to the Committees?

Mr. GATES. No, sir. He spent a good part of the day on the Hill, certainly all morning and into the early afternoon. And then I was leaving for California that weekend. So I don't think—I don't recall any discussion with him about it.

Normally, when people come back from testifying on the Hill and you say, "How did it go," they always say, "It went fine. It just went really great." I don't think anybody ever lost a point in testimony on the Hill by their own accounting.

Chairman BOREN. The DCI's calendar says that he saw you twice on Friday, the 21st. This would have been after the hearings, and

that you had another meeting with him the next morning concerning Iran, I guess before you left on the trip for the weekend.

Did you use any of those meetings as an opportunity to ask him any more details about his testimony, or to discuss his testimony any further with him—this would have been, again, after he had given the testimony?

Mr. GATES. I am fairly sure I didn't. I'm sure I asked him how it had gone, and just a general statement of that kind. But I don't recall any further discussion than that.

Chairman BOREN. Why did you not follow up more to find out what he had actually said since you had been asked to work so hard on helping draw a lot of this together?

Mr. GATES. Well, sir, one of the reasons why I think I had not been involved late on the evening of that Thursday and so on, is that I really was sort of a tag-along that week. I tagged along with him to Poindexter's office where we had that meeting. And I tagged along in—with Mr. George when he went down to de-brief Mr. Poindexter on his meetings with the staff.

Part of the problem was that these—certainly the most controversial aspects of all of this—affected a period when I had been Deputy Director for Intelligence and had not direct, and in many instances even indirect, knowledge of the facts that had taken place. And, in fact, I think that it's the—that a number of the people who have been involved in the—and been interviewed by this Committee in connection with the preparation of that testimony have said, at one time or another, that it was clear that I didn't know what the facts were, or that I was not very well informed—although I was trying to get everybody to put as much into the testimony as we could.

Chairman BOREN. Thank you, Mr. Gates.

There are some other items that I want to ask you about in regard to the Iran-Contra Affair. But these seem to be the two most important, in terms of the diversion and the preparation of the testimony, items that we should cover to lay down a predicate for additional questions that will be raised in the hearings.

I obviously am anxious to question you also about your ideas about the future of intelligence, and the re-designing of the Intelligence Community; the appropriate role of education to improve intelligence analysis; how we might use intelligence to effectively deal with international environmental problems and challenges; and a lot of other issues.

But perhaps we will have an opportunity to return to those. I wanted to turn to those items that I felt were most important for us to examine in the very beginning in terms of your part actions, get those into the record, and hear your further explanation since we have had an opportunity to question to you about these matters before any additional statements that would shed light in answering these questions.

I appreciate your directness in the answers that you have given.

I am now going to yield to the Vice Chairman for his questioning. And let me say to my colleagues, immediately after the questioning of the Vice Chairman, we will take about a 5 minutes recess. We will then return for a round of questions beginning with Senator Nunn, followed by Senator Warner—and then Senator

Hollings has yielded his order, at this time, to Senator Metz-enbaum. So Senator Metzenbaum would follow Senator Nunn and Senator Warner in the order of questioning.

I might ask those Members that are present, and the staffs of those that are not present, if they could, to please let our Staff Director know the approximate amount of time that they think that they will want in terms of asking questions. Again, that will just help me somewhat in scheduling, and determine whether or not we need to go into the evening.

Senator DeCONCINI. Mr. Chairman, if I could interrupt you—as you know, Senator Metzenbaum and I also have the Thomas hearings. I can probably come when my time is up, when I am notified here. So if the staff could let me know, that would be helpful too. I could tell them how much time I want. But I need to have a little advance notice, if that would be possible?

Chairman BOREN. Fine, exactly. We will notify you 15 or 20 minutes before, or a little earlier than that.

Senator DeCONCINI. Yes, sir, if possible. Because there are some witnesses—as a matter of fact, some from my State of Arizona. I obviously would like to be there at the Thomas hearings when they come. It will not be until Thursday, probably.

Chairman BOREN. Well, let us do this. Let us notify you when the person before you starts speaking. If you cannot come, then we will try to switch an order with you and someone else.

Senator DeCONCINI. Thank you, Mr. Chairman. I appreciate that.

Senator WARNER. Mr. Chairman, just as an observation—the subject of Ollie North was raised this morning by myself and others, with the hopes that—and you responded to my request—that you act promptly to determine whether or not there is any feasibility. My understanding now, and I am pleased with it, is that this issue is now over and done with. And he will not appear as a witness before this Committee. There was no business for any request that we continue or delay the hearings, or anything like that?

Chairman BOREN. No, I would say, Senator Warner, that I see no reason to do that. As I say, Mr. North's relevance would be on the essential point of whether or not he had discussions with the nominee on this matter.

Senator WARNER. I thank the Chair and I thank the Vice Chairman.

Chairman BOREN. The Special Counsel and the counsel for Mr. North have indicated that it is not going to be possible for us to go through that process.

Senator METZENBAUM. Was the Senator from Virginia here when the Chairman read the testimony of Oliver North concerning Mr. Casey's knowledge?

Senator WARNER. Right, he was.

Senator METZENBAUM. Thank you.

Chairman BOREN. I will turn now to the Vice Chairman. And following the questioning of the Vice Chairman—and I apologize to my colleagues—I did feel it important to finish that particular subject. We will then have a 5 minute recess after the questioning by the Vice Chairman. And then we will return to the others, as I have indicated.

Senator Murkowski.

Senator MURKOWSKI. Thank you, Mr. Chairman.

I feel that I am being held as a hostage for the recess. But I would like to compliment the Chairman. I think the extensive questioning certainly signifies the tremendous research that has been done by our staffs. And I assume, in the tradition of this body, that when we leave Mr. Gates and finally wind up this hearing, there will be few unspoken questions left by our colleagues, which is as it should be.

Mr. Gates, in the concluding remarks of your testimony, you lamented that you should have asked more questions; should have been less satisfied with the answers you received—especially from Director Casey.

I would like to go into a line of questioning relative to just what that relationship was, recognizing that there was a formal structure within the agency, and in order to understand why certain persons in the Agency would have knowledge about the diversion, or the alleged diversion of money to the Contras, and certain people did not.

And, of course, it is important that we understand how the CIA operated under William Casey. I have before me a kind of an organizational chart, that lists Director Casey as the Director, of course, and you, the Deputy Director of Central Intelligence. And then you were also Chairman of the National Intelligence Council. And you had dual positions.

Can you explain why you had dual positions under Mr. Casey's Directorate?

Mr. GATES. I was appointed Deputy Director for Intelligence in January 1982. When Harry Rowan resigned as Chairman of the National Intelligence Council in September 1983, Mr. Casey asked me to take on that responsibility as well. And so I held both positions through the time when I—until I became Deputy Director of Central Intelligence. I think he felt that perhaps I could bring some of the changes to the estimates that I had in the CIA's analytical product.

Senator MURKOWSKI. Now, there was also an Executive Director under the organizational chart. I believe it may have been a Mr. Taylor at that time?

Mr. GATES. Yes, sir.

Senator MURKOWSKI. And Mr. Taylor, according to the organizational chart, was under you. There was a Director, then the Deputy Director, then the Executive Director.

Mr. GATES. That's correct.

Senator MURKOWSKI. In a normal organization, you would assume that the reporting went up from the Executive Director, to the Deputy Director, to the Director—or down, as the case may be.

What was Mr. Taylor's function?

Mr. GATES. Mr. Taylor was in some respects the day-to-day manager of CIA. He took care of budget matters, a lot of personnel matters, a number of administrative kinds of tasks. Once I became Deputy Director I reconstituted a review group to review covert actions periodically, and ensure that they were being administered properly, and that the management was satisfactory, and that they were accomplishing their objective. And Mr. Taylor chaired that group. So he had a number of responsibilities along those lines.

Senator MURKOWSKI. But he was not, from the information that I recall, named or any way apparently involved in any of the alleged Iran-Contra information or testimony given. Was that by structure, as opposed to the organizational chart, or was there some other reason that basically the third-top person was apparently not in the loop, so to speak?

Mr. GATES. He basically had had no involvement at all in any of those things. And I don't know that he was sort of consciously excluded. But he just did not have a part.

Senator MURKOWSKI. Well, I would like to address Mr. Casey's management style as the Director of Central Intelligence. Because I think it is appropriate.

This organizational chart implies a chain of command, which you would assume would be the case in any corporate structure, where the second or third in line would have some idea of what the president or CEO was responsible for. And therefore, if the CEO was absent, #2 or #3 could basically take over and operate with some continuity.

Can you explain for me just basically how the Agency operated under the Director, Mr. Casey, as opposed to the organizational chart which clearly shows a structure that one would assume would be a normal reporting structure?

Mr. GATES. Yes, sir.

Let me address your point in two respects: first of all, Mr. Casey's personal style, and then the way the Agency operated and particularly, in so far as it affected the clandestine service.

I think that the first thing, in terms of Mr. Casey's personal style, was that this was a man who had begun his intelligence career as an OSS officer in Europe. It was a time when, needless to say, there was no oversight. And even management, I think historians would agree, was fairly slack.

He then made his career, essentially as an operator, as a lawyer, operating on his own, and as an author. In essence, he never worked—or he did not work through much of his career in a bureaucratic structure, although he had several senior government positions in the State Department and the SEC. But his basic inclination was to operate pretty much on his own.

And so Mr. Casey, when he first arrived at the Agency—and actually for the first several years—it was something of an adventure to work for him. Because he would pick up the phone and punch a button without much concern for who was at the other end of the line, and start shouting instructions. And after I became DDI, John Stein, the DDO, and I would occasionally have to straighten things out because Mr. Casey would call Stein, thinking he was in charge of analysis, or giving him an analytical assignment. And occasionally he would call me and think he was talking to Stein, and give me some kind of operational guidance. I would have to go straighten it out with Stein.

He also would fail to change the buttons when he'd call again. So he'd call, and then about 30 seconds later, he'd call again. And you'd say yes, and he'd say who's this? And you'd say well, this is Bob, and you just talked to me. And he'd say oh, I didn't want you. And then he'd hang up. And sometimes that would happen two or three times.



So he was very—shall we say—unbureaucratic. I don't think he would have recognized the CIA organization chart the first several years he was there, if his life depended on it.

So his own personal style was very anti-bureaucratic. He had a tendency to go after an individual, or a job that he wanted done. And he didn't pay much attention to the structure in getting that done.

Now, let me say a word about Mr. Casey's relationship with the clandestine service. Because I think it's applicable here. And let me begin by saying that contrary to what a lot of people think, it's been my experience in government—and leaving aside Mr. Casey—that deputies usually are not in the chain of command to the principal in a department or an agency in this respect. You do not need to go through the deputy to get access to the Director or to the Secretary in most of the departments and agencies that I'm familiar with. You do not need to go ask Larry Eagleburger, if you want to go see Secretary Baker, or the same thing in Defense.

Similarly, the deputy and the principal tend not to work entirely on the same issues. There is just too much work to do. And so often you will have a deputy who is working on a different set of issues than the principal, and the overlap on what they know is usually far short of complete. So that if you want to talk to a deputy about something that the principal has been concerned about, he usually will have to go get briefed. This even happens in a little shop like ours at the NSC between Scowcroft and myself.

Now let me talk about Mr. Casey and the clandestine service. First of all, the CIA has always had a certain mystique and uniqueness, I think primarily due to the clandestine service. And as a result, the Director and the clandestine service have usually had a very special relationship. It's been my observation when I was in the agency that DO division chiefs, for example, had far readier access to the Director than their counterparts in any of the other Directorates. I tried to encourage Mr. Casey to see the DI office directors more frequently. But he would not react to them in the same way that he did to the clandestine service.

And, in fact, I remember early-on when I was his Chief of Staff, every now and then he'd meet with a division chief, and the division chief would come out of the meeting. And I would say, don't you think you ought to fill in the Deputy Director for Operations? And he would say, oh, he doesn't need to know any of that.

So DO division chiefs, at least in my experience, were far more powerful than their counterparts elsewhere in the agency.

I believe that when Mr. Casey came to CIA, he came with a view that he, in essence, would involve himself very deeply in operational affairs. I won't say that he intended to run the clandestine service, because he wasn't organized enough to do that, but rather, to involve himself very deeply in its affairs. And, frankly, I think it is one reason why he appointed Mr. Hugel as Deputy Director for Operations at one point, because he basically wanted to be in charge of the show himself.

Nowhere was this more true than on those issues that were a special passion for him, like Central America, and where he would reach down into the organization and basically ignore all of the bureaucratic aspects. And, in fact, in an Inspector General report in

the fall of 1986, they were very critical of the fact that, as an example, the Chief of the Central American Task force chain of command ran directly to Mr. Casey, which meant by-passing not just the Deputy and the Executive Director, the four deputies, but also the Division Chiefs. So there was a tremendous leap from Mr. Casey down to this task force director. But that was not uncommon for the way he did business.

So I've gone on at some length. But I wanted to try and describe both his personal style, which was very task oriented and very un-bureaucratic, and also his relationship with the clandestine service that accentuated some aspects of that style.

Senator MURKOWSKI. Well, you certainly, I think, highlighted the fact that Mr. Casey was not exactly a team player. But I am curious to know how, such as in the Central American matters, Mr. Casey could reach down and come up with a confidant, and then initiate some action or another.

How did he get to know these people at this lower level, and their degree of competency? Did they play poker together, or did he have a social dialogue with them? It seems that an agency this large, one at the level of Mr. Casey would have few opportunities to get to know people at a lower level who had the capability of carrying out various activities, without some long-term association motivated by contacts, social or otherwise?

Mr. GATES. I don't think he had much social contact. I can't be certain of that. But I think most of them he met through briefings and meetings where he would be getting briefed on various things, and he would find somebody that he liked, or their name would be on a piece of paper and he would just reach to them directly.

Senator MURKOWSKI. When you appeared before us in 1986 for confirmation as Deputy Director of Central Intelligence, Bill Casey was the Director at that time. And you noted that you and Casey had agreed—and I think that this was to be recalled by my colleagues—agreed to establishing a division of labor, and that he would keep you fully informed on all covert action matters. And, of course, later when the Iran-Contra matter became public, it appeared that you were not in the loop.

Can you explain to us how you reacted when it became clearly obvious that you were not in the loop, that you were being left out of certain things? Did you meet with Casey again after this effort to try and put together this division of labor and communicate your displeasure?

Mr. GATES. Senator, when I was being confirmed for Deputy Director, Mr. Casey and I did talk. And we generally agreed that there were no areas from which I would be excluded, such as clandestine operations or something like that, that I wouldn't be confined just to the Intelligence Community, or technical issues, or analysis or something like that.

In the event, I think what happened was that first of all, I was a little naive about how much work there was to do, and the degree to which my time would be taken up by a number of other issues—the Intelligence Community, its structure. I spent a couple of—the first couple, 3 months after I became Deputy Director trying to bring about a change in the structure of the Intelligence Community Staff; the amount of time that I would be involved on the Hill;



the amount of time in administration, and budget. And I must admit that I continued to spend a lot of time on analysis.

Toward the end of the summer of 1986, I decided to try and become more involved in operational activities, and began getting briefings on three particular covert actions that I thought were particularly important. But I have to admit that I moved fairly slowly in terms of involving myself in the clandestine service. There was no secret that there was a certain strain between myself and the clandestine service when I became Deputy Director, coming out of the analytical arena. There was not only an unfamiliarity, but I think a little uneasiness.

Also, Casey's relation—Mr. Casey's relationships with the DO had been pretty well set by that time. He had been Director for 5 years. And I was reluctant to try and interfere in those relationships. So although I had the highest aspirations in 1986, or the early spring of 1986, that we would be fully integrated, it didn't work out that way.

Now, at the time, it seemed to me that just because there was a lot of work to do, the fact that I was on the periphery of certain things and didn't know much about some things didn't bother me very much. It seemed to me that that was just an outgrowth of the amount of work that had to be done and my focus on some other areas.

And frankly, it was only after he became ill, and all the investigations started and so on that I began to consider that it hadn't just been the way the division of labor had worked out, but that I might have been consciously cut out of something.

Senator MURKOWSKI. Well, it appeared that the concept of a division of labor had more meaning in its symbolism than it did in actuality. And I assume that when the concept was raised—I assume by you—that you had high hopes that this would be an understanding where you could expect to be in the loop, so to speak. Who initiated this so-called division of labor? Was it Mr. Casey, or was it suggested by yourself?

Mr. GATES. I don't think it was ever that formal.

Senator MURKOWSKI. It was not that formal.

Mr. GATES. It—I think it just happened. I became immediately involved in the Intelligence Community Staff restructuring. And there was a lot to do with the budget, and so on. And I basically just took that on.

Senator MURKOWSKI. Well, it would appear to have had some significance from the standpoint of those of us on this side of the desk because of the symbolism associated with what would normally be construed to be an understanding. But an understanding implies that if both sides are not happy with it, one brings up their unhappiness with the other. But I gather that in this understanding about the division of labor, the fact that you were obviously not in all the loops did not distress you enough to go back and cite your concern to Mr. Casey.

Mr. GATES. No, sir, because I thought it was just an outgrowth of the amount of work that had to be done.

Senator MURKOWSKI. Could you give us a little description of the relationship of Mr. Casey and Mr. Clair George, who at that time was the Director of Operations, and also Mr. Alan Fiers, who was

head of the Central American Task Force, and, I think at that time, was at least four or five levels removed from Mr. Casey. And how did Mr. Casey work with them, and how did you work with them in relationship to your responsibilities in the senior position as Deputy to Mr. Casey? When you observed this direct communication, how did you feel about that? What were your thoughts when you learned that he was going directly to these two, and obviously several others as well?

Mr. GATES. Well, as I indicated earlier, first of all, it's a common practice in the Agency for the four Deputy Directors to deal directly with the DCI. That was not unusual with Mr. Casey at all. They had ready access to him, basically walk-in privileges. And I know that—or had the sense that Mr. Casey thought highly of Mr. George as an operations officer, and as an imaginative person who was responsive in trying to make some of the changes that Mr. Casey was interested in improving the clandestine service, increasing the number of officers overseas and so on. I had no reason to think that Mr. Casey had anything other than a very positive opinion of Mr. George.

In terms of Mr. Fiers, I think that Mr. Casey saw him as a very capable officer, with a lot of promise; somebody who had the potential of becoming a very senior officer in the clandestine service, very effective in his position. I think he liked Mr. Fiers. Beyond that, I don't have much insight.

Senator MURKOWSKI. Well, it isn't consistent with the organization chart for Casey to have that kind of direct relationship four or five levels down with Alan Fiers. But I would like the record to note that—although you mentioned it, Mr. Gates, regarding the Central American Task Force, the CIA's Inspector General's report in the fall of 1986 stated that the chain of command was by-passed, and ran directly from Alan Fiers to Casey.

And you would just acknowledge that?

Mr. GATES. Yes, sir.

Senator CRANSTON. May I ask one question that relates to your questions?

Senator MURKOWSKI. Please proceed.

Senator CRANSTON. It occurs to me that Mr. Casey knew about the Iran-Contra transactions, but shared the information with others but not with you, that he may have done that because he thought you might strongly object to the transactions?

Mr. GATES. I think that's a very real possibility. I have been told—and it's nothing other than secondhand—that there were some feelings in the clandestine service that I had too close a relationship with the Congress, as well as the suspicion of my having come from the analytical side. Also, frankly, on Central America, the Director of Intelligence had been fairly critical of the prospects for the Contras. And I'm sure that had a certain spill-over effect as well.

Senator MURKOWSKI. If I may, I wonder, Mr. Gates, did you ever express your opinion to Mr. Casey about selling arms to Iran?

Mr. GATES. Yes, sir, I did. The only occasion that I can remember specifically was not until September, in which I told him that I

thought it was a bad idea. I do remember that in January of 1986, when I was first briefed on the Finding, and was told that by Mr. McMahon that we were going to have to provide intelligence to the Iranians, that I was bitterly opposed to that. And I think perhaps in that context, I told him that I thought that the whole idea was a bad one. And he shared with me the fact that in early December, at a meeting at the White House, he too had opposed it at that time. He sent a memorandum, in January, I should say, sent a cable to Mr. Casey saying that we were opposed to this, but had been directed to do it by Admiral Poindexter. And that unless we heard differently from Mr. Casey we would proceed.

Senator MURKOWSKI. That was the extent of it?

Mr. GATES. Yes, sir.

Senator MURKOWSKI. And you never heard any more from Admiral Poindexter?

Mr. GATES. No, sir.

Senator MURKOWSKI. And how inclusive was that discussion concerning the possibility of arm sales to Iran? Did it go any further, or was it just a question of arms sales? There was no discussion of diversion—

Mr. GATES. No, sir. The conversation, as I recall it, that I had with Mr. McMahon was focused strictly on the arms sales, and the context of trying to get some hostages out. But also trying to arrange an opening to Iran—there was that element to it. But I remember Mr. McMahon, perhaps in that same conversation, telling me that both Secretary Shultz and Secretary Weinberger also were very much opposed to the initiative.

Senator MURKOWSKI. Could you clarify for the record, so that we do not draw a conclusion that there may have been a compromise in the discussions that came up in September, concerning the potential sale of arms to Iran, and your first acknowledgement of the so-called diversion which was, I believe, October 1st?

Mr. GATES. That's correct. The meeting in September, where I recall this, and actually I was reminded of it after my testimony in 1987 by Mr. Allen, was a meeting that was held after three more—I think three more American hostages were seized by the hostage-holders in Lebanon. And Mr. Allen reminded me, sometime in the spring of 1987 that at that meeting in September, I had told Mr. Casey that the whole thing was a bad deal and should be stopped. That we would never be through with it. And all of that still pertaining to simply the sale of weapons to Iran.

Senator MURKOWSKI. That was the extent of it. The sale of weapons?

Mr. GATES. Yes, sir.

Senator MURKOWSKI. Returning, just a moment, to Director Casey. Tell us a little bit about his relationship with Dick Kerr. You have indicated the relationship with Clair George, and Alan Fiers. But Mr. Kerr was DDI, and, I gather, had the responsibility of the analysis side.

Mr. GATES. Yes, sir.

I think the thing to recall about Mr. Casey—and it was true of me, and I think it was true of the others as well—however close we may have been professionally, there was really, despite some of the

things that have been written, a certain distance in a personal relationship, in the personal relationship. Mr. Casey was almost 30 years older than I was at the time, a different generation. His friends were people his own age, basically. My wife and I did not ever go to the Casey's for dinner when we weren't in the company of other people; never visited their homes in Florida or Long Island or any place. I'm not saying anything negative about it, I'm just saying that the relationship was essentially a professional one.

And Mr. Casey had a good opinion of Mr. Kerr. He dealt with him in connection with the aspect of the job. But beyond that, there really was not much, not much reaching out. It was not the kind of thing where Mr. Casey would ever ask me about my family or anything like that. It was a very professional kind of relationship.

Senator MURKOWSKI. With your contacts with Mr. Kerr, did you work from a formal agenda, or were you very, very informal?

Mr. GATES. It was exceptionally informal.

Senator MURKOWSKI. Exceptionally informal. So you just passed on whatever thoughts you had?

Mr. GATES. Exactly.

Senator MURKOWSKI. Regarding Mr. Kerr's recollection, did he mention the diversion to you in August of 1986? Let me be a bit direct. Are you denying that he mentioned it, or are you saying that you simply do not have a memory of it?

Mr. GATES. I do not have a memory of it.

Senator MURKOWSKI. That question will probably be asked again and again.

Returning to Mr. Casey's relationship with various persons, did he always keep you informed of the details of his conversations with John Poindexter?

Mr. GATES. No. Mr. Casey was not very good at feedback. He would go down to the White House and even when he would have meetings with the President, finding out what had happened was usually something of a chore. He usually would only do memoranda for the record if an action needed to be taken, as I recall, but he would go to NSC meetings and other kinds of meetings, particularly if he had private discussions with the President or something like that. It was exceedingly rare to get any kind of feedback from him.

Senator MURKOWSKI. Let me read to you an excerpt from John Poindexter's sworn testimony before the Iran-Contra Committee on July 16, 1987. The testimony relates to a meeting Poindexter had with Casey that included you, Ed Meese, and Assistant Attorney General Cooper on November 20th, 1986—this is the day before Casey testified before our Committee on the Iran arms deal. I read from page 112 of the transcript:

Poindexter: "In hindsight, what I should have done is adjourn the meeting and met separately with Ed Meese and Bill Casey so that we could hash through the issue.

Question—and this was Arthur Liman's question—"Were you uncomfortable with the fact that Mr. Meese had brought his Assistant Attorney General, Mr. Cooper, and that Casey had brought his deputy, Mr. Gates?"

Poindexter said, "Yes, I was."

Mr. Liman: "And as a result you did not express your point of view at that meeting? You stayed silent?"

Poindexter: "That is correct."

I wonder if you can comment on this testimony in general terms of how you felt about clearly the significance of this dialogue?

Mr. GATES. Well, I certainly remember Admiral Poindexter testifying to that in 1987, and it just seemed to me that—I'm not quite sure how to respond, except that it helped explain the speed with which the change, the correction that I had wanted to make, was agreed to, and I do recall Admiral Poindexter being fairly silent in the course of the meeting, but beyond that—

Senator MURKOWSKI. Well, could you elaborate about your interpretation of Admiral Poindexter's acknowledgment that he was upset over the fact that Mr. Meese had brought the Assistant Attorney General, Mr. Cooper, and that Casey had brought his deputy, namely you—I mean, clearly Mr. Poindexter was not happy with that.

Mr. GATES. He did not indicate that at the time. I guess my first reaction on hearing it was that he hadn't trusted me, and that was the first indication that I had heard that.

Senator MURKOWSKI. That he had not trusted—

Mr. GATES. Hadn't trusted me, and I guess in the context of the circumstances I wasn't unhappy with that.

Senator MURKOWSKI. I wonder if you would care to comment about a Monday, March 24 meeting that allegedly took place at 6:30, when Don Regan came to see Casey and told him of Attorney General Meese's discovery of the diversion?

Testimony from a sworn witness indicates "he went home pale and bothered, and Bill was never the same again, and everything went downhill physically." Did you observe that change in Mr. Casey as a consequence of that meeting, or what occurred about that time?

Mr. GATES. I think based on the testimony of a number of people, Senator, that I may have been one of the last people to notice a physical change in Mr. Casey. I did not notice a real change in him until toward the—let's see. It would have been around the 10th or 11th of December, and someone came in to tell me about—I had originally been scheduled to give a speech—I think my memory of this is correct—there was a memorial service or a memorial to be held at La Salle University in honor of Bob Ames, who was one of our officers who was killed in Beirut, and there were a lot of ceremonies associated with it, and I think it was late in that week around the 10th or 11th of December, and Mr. Casey decided to go up and deliver those remarks. I can't remember whether I was originally scheduled to, or urged him to do it instead, or whatever, to honor Bob Ames.

I was told by a couple of people who had been on the plane with him that on the flight back from La Salle that night he had been holding a drink—a cocktail—and tipped it sideways, and didn't even realize that he was spilling the drink, and someone reached over and just righted his hand.

Then that next morning he had an interview—I think, a Friday morning—he had an interview with Time Magazine and just went totally blank at one point for some period of time.

Sometime in there, one or another of the security people who accompanied Mr. Casey told me that he had been falling down at home, and so we urged him to go up to his place on Long Island over that weekend and rest, and he did that. I don't remember whether he left on Friday or a Saturday, but he just seemed tired to me, and it had been a very stressful period, obviously, but he just seemed tired. When he came in—I'm sorry.

.. Senator MURKOWSKI. Go ahead.

Mr. GATES. When he came into my office, I think the next Monday morning, he came through the door and was sort of moving—

Senator MURKOWSKI. What date might that have been?

Mr. GATES. I think it was the 15th.

Senator MURKOWSKI. Of?

Mr. GATES. December 1986, and he was moving sort of from piece of furniture to piece of furniture, and he did look terrible, and we talked for a couple of minutes and then he went back into his office and collapsed shortly thereafter.

He had been saying to me that he thought it was his blood pressure medicine, or something like that, that just wasn't agreeing with him, but I didn't notice any real physical change in Mr. Casey until that preceding week. Others said that they noticed it much earlier, in keeping with the interview that you just quoted.

Senator MURKOWSKI. Did you have an opportunity to meet with Mr. Casey around November 24th or the 25th, which I believe was the day that Attorney General Meese made the announcement?

Mr. GATES. No, sir. I was in California during that period.

Senator MURKOWSKI. What were your dates for California? When did you leave?

Mr. GATES. I think I left over the weekend, maybe on Sunday, and came back Tuesday or Wednesday.

Senator MURKOWSKI. So you were gone the day before?

Mr. GATES. Yes, sir.

Senator MURKOWSKI. Let me follow with some rather brief questions, continuing with regard to some places and events. You became DDCI—the number 2 person at the CIA in April of 1986. Give us a brief outline of what your priorities were then and on up to October of 1986 when you learned of the diversion.

Mr. GATES. My first priority was to change the structure of the Intelligence Community Staff to create in it an evaluation capability that would give us, as we went into a period of what I expected to be declining rates of growth, or declining budgets, a basis for making judgments about how best to invest the resources that we had available, some capability to gauge one collection system against another in terms of the amount of return that we would get in terms of intelligence product and what kind of system would affect the greatest number of requirements that we had.

I had two problems. One was bringing about the change itself and the second was finding somebody to do that job. I went through several candidates—it was fairly time consuming—and fi-



nally with Mr. Casey's approval selected Douglas George to head that function. So I spent the first while that I was deputy director on that. I also had a major trip to the Philippines in June and spent a fair amount of time preparing for that.

Senator MURKOWSKI. Tell us how well-received your efforts were to re-evaluate staff and so forth and so on. Were you bull in the china closet, or were you graciously received? Did you make enemies, did you make friends?

Mr. GATES. The idea of an evaluation staff was not particularly welcomed, either on the Intelligence Community Staff or elsewhere, because if it really worked it had the potential to change in some significant ways the way we did business. I wouldn't say that there was overt resistance from most places, but it was a difficult change to bring about bureaucratically.

Senator MURKOWSKI. Was part of it because of your relatively rapid ascension in responsibility and title within the Agency where perhaps you had moved ahead of some who had been senior to you?

Mr. GATES. Well, there may have been some of that. I thought it seemed to be more of just bureaucratic protectionism.

Senator MURKOWSKI. Sometimes that is very sacred to the bureaucracy.

Before becoming Deputy DCI in April of '86, had you ever supervised clandestine activities or covert actions in the Agency?

Mr. GATES. No, I had not.

Senator MURKOWSKI. Your qualifications to do that, recognizing that this goes with the job, are based on what, in your own mind?

Mr. GATES. Well, I had had—I had a pretty good understanding, I think, of what the intelligence business was about, but I would have to admit that I had very little experience with the clandestine service, other than serving in the same organization over a period of time.

The relationship between the Directorates of Intelligence and Operations was a very awkward one for a long time. In fact, when I first joined the Agency there were armed guards and barriers between the two Directorates, ironically, I think, put there by the analysts.

Senator MURKOWSKI. Well, they do the best they can, I guess.

Mr. GATES. When I was a young analyst we were given the name of one junior reports officer in the Soviet Division, and that was the only person we were allowed to talk to, so I think that gives you a measure of the cultural gulf that existed in the agency.

Now, I think that had begun to change over time, and there had been more cooperation. I think that it—I won't say it stalled, but it slowed significantly when Mr. Casey came on the scene.

I considered it a considerable achievement when I was Deputy Director for Intelligence when I was able to recruit Bob Ames out of the clandestine service to become the head of our Near East Analyst Office, and one of the great tragic ironies was that after a lifetime in clandestine service it was as an analytical supervisor that he was killed in Beirut.

But all my efforts to try and get that road to run two ways and to get some senior DI people appointed into the DO and to increase

the number of contacts, it was very difficult, and we didn't make much headway.

So while there has been progress in recent years, and there had been some progress before, the gulf between those two directorates is very real. I was struck—I heard about someone who had talked to this committee saying, in describing why someone had not told me about something, or whatever, said, "Well, he's from another world."

Senator MURKOWSKI. Let's move from analysis to allegations. I'd like to just take a few minutes, Mr. Chairman, to wind this up as my portion of the questions.

There have been a number of allegations made concerning your activities related to an alleged covert CIA program to ship arms to Iraq. You are aware of that. Some have even linked it to the so-called October Surprise meetings alleged to have taken place between the Reagan-Bush campaign officials and Iranian officials.

These allegations have been chiefly made up by two individuals, Ari Ben-Menashe, I gather a former civilian translator for the Israeli Military Intelligence, who was reportedly in Australia to avoid Israeli authorities and prosecution, and Richard H. Babayan, a self-professed arms merchant and former member of the Iranian Intelligence Service who is currently in a Florida jail awaiting trial on security fraud charges.

Now, for months we have watched while these allegations of these men have been heralded on ABC's Nightline, or Public Broadcasting System's Frontline, and a host of other news outlets. Our committee staff has also been investigating these allegations, and when our resources were limited we asked the FBI to help us out, and they have. We have also asked the CIA Inspector General to independently investigate the allegations.

Now, after months of investigation the allegations of Mr. Ben-Menashe and Mr. Babayan have been found to be without merit. After reviewing travel records, your official calendars, conducting numerous interviews and referencing Agency records, neither the FBI nor the CIA Inspector General has been able to place you at the meeting or the places that these individuals have alleged you to be.

You have had to silently endure these allegations for some months. I know it has been exceedingly frustrating for you and your family. Therefore, I would like to give you the opportunity to respond to them publicly on the record and under oath. I am going to ask a series of questions laying these allegations out and I would like also to know what you think the motivation for these allegations might be.

First, Ari Ben-Menashe claims that he participated in a meeting with you in Santiago, Chile, in 1986, along with Mr. Carlos Cardoen, who allegedly brokered millions of dollars in weapons to Iraq. My first question is, did you ever attend such a meeting?

Mr. GATES. No, sir.

Senator MURKOWSKI. Have you ever met Mr. Carlos Cardoen?

Mr. GATES. No, sir.



Senator MURKOWSKI. Did you ever encourage Mr. Cardoen or the Government of Chile to supply Saddam Hussein with weapons?

Mr. GATES. No, sir.

Senator MURKOWSKI. Dr. Gates, the ABC news program, Nightline, on July 12, 1991, claimed that a former "CIA operative" had personal knowledge of at least one meeting in 1986 in Florida between yourself and Carlos Cardoen. Did you meet with Carlos Cardoen in Florida in 1986?

Mr. GATES. No, sir.

Senator MURKOWSKI. Have you ever met with him?

Mr. GATES. Not that I'm aware of, sir.

Senator MURKOWSKI. It may interest you to know that Cardoen says he never met with you, either.

Mr. GATES. I understand he was very disturbed at being put in my company. [General laughter.]

Senator MURKOWSKI. I have a July 16, 1991 letter from Carlos Cardoen to our Ambassador in Santiago, Chile. I believe that letter is in the record, Mr. Chairman, but if it is not, I would like it to be.

Chairman BOREN. If not, we will receive it for the record.

[The information referred to follows:]

DEPARTMENT OF STATE  
OFFICE OF LANGUAGE SERVICES

Translating Division

LS No. 136154  
RHC  
Spanish

Av. Ricardo Lyon 882  
Santiago, Chile

Empresas Cardoen  
Office of the President

Ref. No. 173/91

July 16, 1991

Mr. Charles A. Gillespie, Jr.  
Ambassador of the United States  
Santiago

Mr. Ambassador:

As you know, for almost one year my firms and I personally have been victims of various investigations conducted by departments or agencies of the U.S. Government. In view of this situation, it is a public fact that I have furnished all the background material available to me, in order to set forth the truth and defend myself against what I consider a veritable persecution which, in short, they intend to deflect the potential responsibility borne by other interests for strengthening Iraq militarily and restricting the creation and development of a defense industry in a Third World country like Chile.

-2-

Your Embassy, through various officials, knows or has known in detail about all my activities. I have offered, permanently and voluntarily, every type of information concerning my industrial and commercial activities, and I have been concerned about making this information actually available.

Yesterday, with stupefaction and indignation, I received the transcript of a television program on the ABC network. In this program I am accused, among other things, of having been the link through which Mr. Robert Gates and the CIA delivered arms covertly to Iraq. In like manner, the program indicated that there had been one or more meetings between Mr. Gates and myself. As you will understand, Mr. Ambassador, these charges are causing me serious and irreparable damage, not only because of their total and absolute falsity, but also because they are one more stage in the campaign spearheaded against me by the U.S. Government. The outcome of this campaign has been that presently in the United States any lie can be uttered publicly against me as a consequence of the systematic manner in which I have been slandered.

Mr. Ambassador, I formally protest the incidents described in this letter and reserve the right to take any legal action in order to defend the integrity and transparency of my activities and the honor of my name.

Yours truly

[Signature]

Dr. Carlos Cardoen Cornejo

Senator MURKOWSKI. I will quote from the letter: "Yesterday with stupefaction"—I believe that's what it says here—"and indignation I received the transcript of a television program on the ABC Network. In this program, I'm accused, among other things, of having been the link through which Mr. Robert Gates and the CIA delivered arms covertly to Iraq.

"In like manner, the program indicated that there had been one more meetings between Mr. Gates and myself. As you will understand, Mr. Ambassador, these charges are causing me serious and irrefutable damage not only because of their total and absolute falsity but also because they are one more stage in the campaign spearheaded against me by the U.S. Government.

"Now, the outcome of this campaign has been that presently in the United States any lie can be uttered publicly against me as a consequence of the systematic manner in which I have been slandered.

"Mr. Ambassador, I formally protest the incidents described in this letter and reserve the right to take any legal action in order to defend the integrity and transparency of my activities and the honor of my name. Yours truly, Carlos Cardoen."

Doctor Gates, according to Ari Ben-Menashe, in mid-October of 1980, you were present at the site of a meeting at the Ritz Hotel in Paris, France, attended by a group of Iranians. Vice-presidential candidate, George Bush, and William Casey, who was then manager of the Reagan-Bush campaign, was there as well.

Do you have any knowledge of such an event in Paris?

Mr. GATES. No, sir.

Senator MURKOWSKI. Were you in Paris at any time during October of 1980 for any reason?

Mr. GATES. No, sir.

Senator MURKOWSKI. Do you have any knowledge of whether any persons associated with the Reagan-Bush campaign of 1980 sought to delay the release of hostages held by Iran until after the election in November of 1980?

Mr. GATES. No, sir.

Senator MURKOWSKI. Did you personally ever suggest to any representative of the Reagan-Bush campaign, or to the candidates themselves, that negotiations should take place with Iran to delay the release of American hostages?

No, sir.

Senator MURKOWSKI. Mr. Ben-Menashe has also said that you attended two additional meetings with representatives of Iran between January and October of 1980 in Madrid, Spain. Do you have any knowledge of such meetings?

Mr. GATES. No sir.

Senator MURKOWSKI. Did you ever attend such meetings?

Mr. GATES. No, sir.

Senator MURKOWSKI. Were you ever in Madrid, Spain at the time, at any time during 1980 for any reason, bullfights or anything?

Mr. GATES. No, sir.

Senator MURKOWSKI. Ben-Menashe also says that you attended these meetings as George Bush's personal representative. Did you

ever, in 1980, serve as George Bush's personal representative in any matter?

Mr. GATES. No, sir.

Senator MURKOWSKI. According to Mr. Ben-Menashe, you met him at the Miami Airport, accompanied by U.S. Customs Officials some time between January 1 and January 20, 1981, to assist him in gaining entry to the United States with a large sum of money in cash. He said he flew to Miami from Guatemala City, en route to Phoenix, Arizona. He also says that you accompanied him on that flight to Phoenix, Arizona. He further says that he was carrying \$16 million in \$100 bills in cash.

Now you would remember whether you were in Miami in January of 1981 to meet Mr. Ben-Menashe, would you not?

Mr. GATES. Yes, sir.

Senator MURKOWSKI. And your memory is?

Mr. GATES. No, sir.

Senator MURKOWSKI. You say that you were not. Did you ever accompany him on a flight to Phoenix, Arizona?

Mr. GATES. No, sir.

Senator MURKOWSKI. Did you assist Mr. Ben-Menashe in transporting or counting the \$16 million in \$100 bills?

Mr. GATES. No, sir.

Senator MURKOWSKI. Ben-Menashe also says that on July 3 and 4th, 1987, in Kansas City, you met with Iranian Defense Minister and Mr. Ben-Menashe. Do you know anything about such a meeting?

Mr. GATES. No, sir.

Senator MURKOWSKI. And finally, according to Mr. Ben-Menashe, on April 20, 1989 you met with him in a private home in Paramus, New Jersey, regarding the subject of arms sales to Iraq. Did this happen?

Mr. GATES. No, sir.

Senator MURKOWSKI. Now, I would like to turn to some of the allegations made by Richard Babayan, the self-professed arms dealer, now awaiting trial for securities charges in a Florida jail. Have you ever met Richard Babayan?

Mr. GATES. Not that I'm aware of, sir.

Senator MURKOWSKI. Babayan claims that he first met with you and a Mr. M.K. Moss in Geneva, in June of 1984. Is that true?

Mr. GATES. No, sir.

Senator MURKOWSKI. Babayan claimed that you, working with M.K. Moss ran a covert CIA operation to supply arms to Iraq. Dr. Gates, have you ever been aware of any CIA or U.S. Government covert operation to supply arms to Iraq?

Mr. GATES. No, sir.

Senator MURKOWSKI. Babayan claims that you were a very good friend of Carlos Cardoen. And that one of your pet projects was to transfer cluster bomb technology to Carlos Cardoen. Doctor Gates, were you ever involved in a operation to transfer cluster bomb technology to Carlos Cardoen?

Mr. GATES. No, sir.

Senator MURKOWSKI. Now, Doctor Gates, I will ask you a few questions about the weapons that were allegedly transferred to Iraq via South Africa by a company in Lancaster, Pennsylvania,

called International Signal Control, or ISC, before the CIA was informed by the FBI in 1986 that ISC was under criminal investigation, were you aware of possible illegal activities on the part of ISC?

Mr. GATES. No, sir.

Senator MURKOWSKI. A story in the Financial Times alleged that you may have gone to visit ISC in Lancaster, Pennsylvania. Have you ever met with officials of ISC?

Mr. GATES. Not that I'm aware of, sir.

Senator MURKOWSKI. Have you ever been to Lancaster, Pennsylvania?

Mr. GATES. No, sir.

Senator MURKOWSKI. I wonder if you would give a short synopsis—and that will conclude my questions, Mr. Chairman—of what the motivation might be for these seemingly outlandish and far-fetched efforts to associate with your good name?

Mr. GATES. First of all, Senator, I'd like to thank you for making that public. As you have suggested, putting up with this all through these months, and these various television shows and so on has not been easy. And even some of my neighbors began to look a little askance at me, wondering if while I was a Soviet analyst I was running guns to Iraq and selling cluster bombs to Carlos Cardoen.

I don't know what these people's motivation is. I think it's an illustration, though, that the more specific that you make the allegation and the lie, the easier it is for some people to believe it. I'm just grateful to have it straightened out and cleared up. And I'm afraid that my views on their motives and of them are probably not appropriate for this forum.

Senator MURKOWSKI. It would probably be appropriate to question why the press would give it such wide notoriety without checking it out. But I will save that for the Chairman. [General laughter.]

Chairman BOREN. Well, I certainly appreciate the Vice Chairman for that.

Senator MURKOWSKI. Thank you, Mr. Chairman. [General laughter.]

Chairman BOREN. We will not pursue the rest of these questions, since we are part of the family television viewing hour, in terms of whatever the nominee might think about some of this.

We are going to, in just a moment, take a brief recess. I want to welcome our former Vice Chairman, Senator Cohen, who has joined us. He has certainly made an immense contribution to the work of this Committee in the past. Senator Cohen, we are happy to have you sit in with us today.

Let me say, that I have been totaling up the time that Members have told me that they intend to potentially take. So I do think, unfortunately, that it will be necessary for us to come back. The Senate is expected to be in session tonight, anyway. So we will come back, of course, in about 5 minutes. But then we will probably recess around 6:00. We will begin with Senator Nunn when we come back, and then Senator Warner. And Senator Metzenbaum will occupy Senator Hollings' originally-scheduled time slot for 30

minutes. Then we will recess again, and probably return approximately at 7:30. So we will take a 5-minute recess at this time.

Senator METZENBAUM. Mr. Chairman, may I just inquire of you what is the reason that the Chair feels that it is imperative to work through the night on several different nights? This matter has not moved that rapidly. And I do not know whether the Chair—how fast the Chair intends to move it. But I get the feeling there is a sense of urgency. And yet, the matter has been sitting here for a good many months.

Chairman BOREN. Senator Metzenbaum, there is no sense of urgency about it. But I would say, as you point out, the matter has been sitting here for several weeks. The nomination—I have forgotten the exact date, I cite it in my opening statement. on which the nomination was submitted to the Committee. I believe it was on June the 24th and it is now well into September. And, of course, there have been a lot of reasons why we have taken time. We wanted to get everything we could get from the Special Counsel. We do have several witnesses on Thursday—seven witnesses, in fact—several of whom have indicated to us for some time that because of their travel plans, that they are available to us on Thursday but not on Friday. Some of them are not going to be available for 2 or 3 weeks because they have plans to be out of the country.

I do not want to lose the opportunity to get the testimony of those witnesses. Several of them are witnesses that Members of this Committee have requested. Simply, my hope is that once we have heard all of the witnesses, if either Members of the Committee, or if the nominee, or both, wish to have additional testimony, we will have that opportunity.

But my hope was since we will be recessing at 5:00 tomorrow because of Yom Kippur and not in session on Wednesday, I was simply hopeful that we might be able to finish, for the sake of continuity, the initial questioning of the nominee before we break for these other witnesses that we have scheduled on Thursday. Then, there will, of course, be an opportunity to come back to that.

We have, also, the questions on intelligence we have to have in closed session on Friday. I have already said it looks unavoidable to me that we will be back the following Tuesday of next week, the next Wednesday, next Thursday, to take up some matters of intelligence sharing and some other issues related to Iraq and other countries.

So that is the reason. As I have said, we will go on as long as we need to go on to do our job properly. But I just felt that in terms of the initial questioning of the nominee,, it might be helpful to keep our train of thought going and not to have the continuity of it interrupted. And Thursday, we really do have to interrupt for these other witnesses.

Senator METZENBAUM. I understand the Thursday situation. But I do have the feeling, Mr. Chairman, that it is going to be difficult to conclude the hearings by tomorrow night at 5:00—that is, the inquiry.

Chairman BOREN. The initial inquiry of Mr. Gates?

Senator METZENBAUM. I think so. I expect to have several hours of inquiry.



Chairman BOREN. I had understood that you might have 2 or 3 hours. And I have had one or two other Members of the Committee say they would have more than  $\frac{1}{2}$  hour. Most of the Members of the Committee apparently will have  $\frac{1}{2}$  hour. So it is possible, if we go on another 2 hours tonight we would finish the rounds of 30 minute questions by approximately noon tomorrow, which would leave another probably 4 hour time block before 5:00 tomorrow afternoon.

Now, if we do not finish at that time, we just do not finish. And we obviously will come back. As I have indicated all along, every Member of this Committee—and that certainly includes my friend from Ohio as he well knows—will have every opportunity to ask any questions that they want to ask. These hearings are not going to be completed until all of the Members of this Committee have a chance to ask not only this witness but others all the questions they want to ask.

Senator METZENBAUM. Is it the plan that each Member will take  $\frac{1}{2}$  hour in the first round? Is that the Chair's—

Chairman BOREN. That would be the plan, and then we would come back. If we, for example, were to finish up most of the questioning by the other Members of the Committee, say by noon tomorrow, and there were one, or two, or three Members of the Committee that wanted to go on for, say, an hour or 2 hours or whatever time period, we would then just go into that questioning at that time and see when it is that we complete.

But on Thursday, we really do—we have Mr. Polgar, we have Mr. Fiers, we have Mr. McMahon—

Senator METZENBAUM. I understand the Thursday situation.

Chairman BOREN [continuing]. Mr. Inman and all of these others that have been scheduled. And several of them have told me that they are going to be out of pocket, some of them, for some time. So that is the only reason I was hoping to keep our train of thought going while we are making progress here.

Senator CHAFEE. Well, Mr. Chairman, there is a thought brooding on this side which is that we will give up our time tonight to let the Senator from Ohio just keep going straight, keep going his 2, 3, 4 hours that he wants to question.

Senator METZENBAUM. I have no problem with that.

Senator CHAFEE. Now, I am not sure the rest of us will all be here to hear the answers.

Senator METZENBAUM. But I will stay to hear the line of inquiry. I would want him to be present so that I might enlighten him.

Chairman BOREN. I would feel lonely if the Senator from Rhode Island were not here with the Chair.

Senator CHAFEE. Well, do not count on it. Seriously, I mean if the Senator from Ohio says he has 2 or 3 hours of questioning—

Chairman BOREN. Let me ask this. The Senator from New Jersey has indicated to me that he will probably have a somewhat more prolonged questioning as well. I do not know if it is more like an hour or how much. But we could proceed with that in the morning, and then we could proceed with the other rounds.

Senator RUDMAN. Mr. Chairman, I was just going to inquire as to what the Chairman had found out from the various Committee

Members. How much questioning do we have, exclusive of what we know the Senator from Ohio wishes to question?

Chairman BOREN. We have, I would say, approximately 30 minutes from all the other Members of the Committee who have not yet asked questions. I have about 30 minutes of additional questions that from a Committee's institutional responsibility point of view, need to be asked on one or two of the other Iran-Contra issues.

So that the record is clear, we have the Senator from Ohio who estimates may be——

Senator METZENBAUM. Mr. Chairman, let me make this clear. I think there is probably no more important nominee that is going to come before the Senate than Mr. Gates this year. We are hearing a Supreme Court nominee. I think that is extremely important. But I do not think that it is any more important than this one. And I am not talking about 2 or 3 hours because I want to drag it out. There is no purpose in doing that. The thrust of my inquiry to the Chair is that I think we ought not to be under any pressure. I think we ought to be able to explore fully. I think that Mr. Gates' comments this morning as to his sense of responsibility about some things that had happened certainly places a little bit different light on some matters.

But it is as if the Senator from Ohio had some——

Chairman BOREN. No, no——

Senator METZENBAUM [continuing]. Insidious purpose in wanting to ask questions. I know what it is to filibuster on the Floor, and I have no intent to filibuster, or anything. I just think there is a responsibility——

Chairman BOREN. I understand and I want to make it clear that I, for one, and I do not think the other Members of this Committee would either, for a minute, question the motivation of the Senator from Ohio in wanting to ask these questions, other than just his determination to be thorough, and doing his job.

As I said in the beginning, these hearings are going to have two attributes, I hope, and that is fairness and thoroughness. And as far as I am concerned, we have not done our job and completed our work as long as there are Members of this Committee who sincerely have questions that they feel should be answered.

This Senator certainly did not hurry himself in the opening questions that I asked. I think it would have been wrong for me to have done so. So I want to make it clear that there will be no one cut off from an opportunity on this Committee nor will anyone's motives be questioned. We all take this very seriously. This is a critical post in the Government. I think the nominee understands our responsibilities as well. But I would suggest that if the other Members would be agreeable, it might be helpful, when the Senator from Ohio begins his questioning, that we allow him to go ahead and continue as he wishes rather than, say, making him do 30 minutes, come back and begin a line of questioning again.

Senator METZENBAUM. I will do whatever the Chair wants to do.

Chairman BOREN. Would that be agreeable after we have Senator Nunn and Senator Warner?

Senator CHAFEE. That is agreeable to me. He can have my ½ hour.

Senator RUDMAN. I want to assure the Senator from Ohio that he is not going to be questioning to an empty hall. Because I intend to stay here for every minute of his questioning. I am interested to hear what he has to ask. And I am particularly interested in the factual predicates he lays on the Iran-Contra matter.

So I think it is an excellent suggestion. And I think it accommodates the Senator from Ohio, and it accommodates the Committee, and it accommodates the future witnesses. I think it is a splendid suggestion.

Senator MURKOWSKI. I want to add, Mr. Chairman, that Senator D'Amato has agreed to relinquish his time as well to the Senator from Ohio.

Chairman BOREN. I would say to this side of the aisle, after we return we will have Senator Nunn's round of questioning, then Senator Warner. Then we will commence Senator Metzenbaum's round of questioning. We will come back at approximately 7:30. We will see what time we take a break or we might even take the break and then come back and let you begin at that point and move through. Then we can judge how far along we are.

I certainly do not intend to stay until midnight or anything like that. We are not going to stay until an unreasonable hour.

Senator WARNER. There are votes, Mr. Chairman.

Chairman BOREN. There are votes at 6:30.

Senator WARNER. I think therefore, it is a wise thing, after the line-up you announced, that we return at 7:30.

Chairman BOREN. I think that is what we will plan to do.

Senator WARNER. Many of us want to be here for Senator Metzenbaum's and, indeed, Senator Bradley and others.

Chairman BOREN. It is going to be about 6:00 by the time we complete. Why do I not suggest that we have the questioning by Senator Nunn and Senator Warner. And then we will recess until 7:30 at which time we will commence with Senator Metzenbaum.

Now, following Senator Metzenbaum would be normally Senator D'Amato, would it not?

Senator MURKOWSKI. Senator D'Amato has indicated his willingness to give his time to Senator Metzenbaum.

Chairman BOREN. Well, we might want to let Senator D'Amato know that if Senator Metzenbaum does complete tonight with still time for Senator D'Amato, he would either start tonight or in the morning. And then he would be followed by Senator Bradley.

Senator GORTON. Why do you not just make that in the morning?

Chairman BOREN. We will see where we are at that point.

Senator CRANSTON. Mr. Chairman, Members, if they are not aware, should be aware that I believe a vote is scheduled for 6:30 on the Floor.

Chairman BOREN. Yes, I think we have three back-to-back votes at 6:30. We will start at about 7:30, maybe 7:45 if the votes go long on the Floor.

We will take a 5 minute recess and come back for the questioning of Senators Nunn and Warner.

[A brief recess was taken.]

Chairman BOREN. We will resume. Again, I would call to the nominee's attention the fact that his testimony is still under oath in terms of his answers to the additional questions which will be

asked by the Members of the Committee. At this time I will turn to my colleague from the State of Georgia, Senator Nunn, who will begin his questioning. He will then be followed by Senator Warner after which time we will recess until we begin with Senator Metz-enbaum's questioning at 7:30.

Senator Nunn.

Senator NUNN. Thank you, Mr. Chairman.

Mr. Gates, I want to shift your thinking a little bit from the past to the future, particularly relating to your statement in your prepared statement where you cite the need for a remedy to the gap between the 21st century collection systems and the 19th Century system for informing policymakers. I found that to be not only intriguing, but I think very important when we look to the future.

As I understand it, as Director for Intelligence for several years, you were in charge of intelligence assessments, and intelligence assessments are the primary vehicle through which policymakers are informed. So you have a unique perspective on this.

What is it that is lacking now in informing policymakers and what it is you would do to improve that because after all, intelligence is to no avail if policymakers do not have access to it and understand it in a timely fashion.

Mr. GATES. Senator, what I had in mind in my statement this morning is that we have spent a great deal of money, billions and billions of dollars on collection systems, particularly technical collection systems that can deliver information to us in real-time or near real-time.

Then too often our analytical components will look at that information and sit on it overnight, to print it in the President's Daily Brief or the National Intelligence Daily the next morning.

So in a system where we have spent perhaps tens of billions of dollars to get the information quickly, other than in crisis situations, we then wait and deliver the information pretty much the way it was delivered by the War Department a century ago, and that is by the written word on the succeeding day, like the daily newspaper.

It seems to me that this is an area where in the new age we need to be more supportive of the policymaker and his needs throughout the day. And what I have in mind is a proposal that I made, and that failed, in the mid-1980's that would provide electronic intelligence to the policymaker, where the several score most senior policymakers in the Government would have monitors where throughout the day the intelligence would be updated for them on situations all around the world, and where it would be integrated so there could be maps and photographs and so on. So that it is provided not just when it is convenient to the agency or the intelligence organizations, having been developed overnight or the preceding day, the policymaker at his convenience during the course of the day could receive continually updated information.

I think that we have not, frankly, taken sufficiently into account in the intelligence business the implications of the arrival on the scene of CNN and other 24 hour a day news broadcasting systems, and as a result, I think much of our current intelligence is in fact old news by the time it reaches many of the policymakers.

There are other areas where I think that support from intelligence is inadequate. I think many of these problems are continuing problems. They are problems that have been around for a long time. There is a sense that assessments are often not sharp enough, that the policymaker has to wade through too much prose to get to the bottom line. A sense that alternative views are not sufficiently spelled out, that there is too much of a presumption of a right answer and a wrong answer, when in fact, the policymaker may be better informed by simply knowing better how to think about a problem than an answer in a situation where there may be no answer.

So there are two areas where I think that improvements can be obtained and my specific reference this morning was to the one where I think we need to take a new look at the way we provide current intelligence support for the policymakers.

Senator NUNN. You also went on in your statement to say, on the question of human intelligence, "at the same time, we must consider the implications for our covert action capabilities of a dramatic decline in Soviet aggressiveness and disruptive activities in the Third World."

You were alluding to the need to improve human intelligence. Is it fair to draw a conclusion from that that you believe covert action is now less important as to tool with the decline in the Soviet threat and the decline in the Soviet aggressiveness around the globe and that human intelligence on the other hand is more important. Is that a fair conclusion?

Mr. GATES. Yes, sir, it is. I think that one of the areas where we have had a terrible problem over a long period of time in intelligence is in the realm of political intelligence, the question of intentions. There was an allusion made to it earlier with respect to Iraq and the decision to launch the war or invade Kuwait.

If you look back at most of the, or many of the significant, intelligence failures, one component of it is shortcomings in our political intelligence. I remember that President Carter sent Director Turner a letter to that effect, after the Iranian revolution in 1979, that he is not satisfied with the quality of our political intelligence.

It is a very difficult area and it is an area where more often than not human intelligence, clandestinely acquired human intelligence offers a unique capability to get at that kind of information.

There is another area though in that same regard where I think we have an under-utilized asset, or an under used asset, and one of the Senators made reference to it in his opening remarks, and I am afraid I can't remember which one, but somebody this morning made the comment that the contrast between the insights that they find when they travel in the field and talk to our field officers and what they get in the finished intelligence is a vivid contrast and that they get so much greater—we use the term ground truth, when they are out in the field talking to people.

One of the things that I tried to do when I was DDCI before was to institutionalize a way in which our chiefs of station and officers overseas would routinely send in the kind of information that they pick up on the cocktail circuit, the gossip that they hear, what they might hear from people, from agents before they got down to serious business of the specific tasking requirements.

Because it is that flavor of the political climate in a foreign capital where our operations officers often have insights and information that don't get reported back to headquarters and that would clarify and give a liveliness to our reporting.

I was not successful in that effort, and it would be something that I would turn to again if I am confirmed and have the opportunity to go back out there. But we need more capability in the HUMINT area, and I have to say that this Committee has really taken a major leading role in trying to strengthen human intelligence collection.

By the same token, I think that it is clear that the Soviet Union, or shall we say the former Soviet Union, is not going to play the kind of disruptive role in the Third World, at least for the foreseeable future or as far into the future as we can see, that it played until really very recently.

And I think the agreement that was announced yesterday or the day before on the ending of support for the government of Afghanistan, Angola, and the negotiated outcome in Nicaragua, all these things illustrate that even before the revolution of the last few weeks, the Soviet Union was taking a very different and more skeptical view toward these struggles in the Third World.

A lot of our paramilitary, covert activity has been directed at resisting these kinds of things over the last number of years. I think that is going to change. The amount of money devoted to it I think is going to plummet, and I think that offers us some opportunities in terms, perhaps, of using some of those assets and resources on human collection.

Senator NUNN. Let me back up to the past a moment, in order to get back to the questions about how you view the future and particularly your future obligations, if confirmed.

During your testimony back in February 1987 when you were nominated to be the Director of Central Intelligence, at that time I went through several questions with you and they stretch out over several pages, and I am just going to try to recall a few of them.

It gets to the question of what is an intelligence activity and what is the obligation of reporting an intelligence activity that may be or you may think is illegal. I asked you the question back then: "Senator Nunn: What is an intelligence activity, does that include what Oliver North does in the White House basement?" Your reply, quoting you, "It seems to me that it covers the activities undertaken by CIA or another intelligence agency under the Finding."

I went on to ask, "So you do not consider the National Security Council as being under that Directive? If you found out the National Security Council was conducting a patently illegal activity, you would feel no compunction under the present law to report that to the oversight committees? End of question."

Your answer, quoting you: "My first obligation it seems to me would be to report it to the Attorney General, because of uncertainty about whether the NSC, National Security Council, was an intelligence entity."

I went on to say "Well, that is the biggest loophole in the law I have seen. No wonder the Executive branch was conducting everything in the basement of the White House. You have no compunc-



tion to report what is, without any doubt an intelligence activity from a Congressional point of view whether it is carried out within the Executive branch, but you don't feel you have any obligation under the law, then we have a serious problem."

Then I went on to say, "I mean, the obvious thing to do is just shift everything questionable over to the National Security Council and let her roll and you were basically supporting the National Security Council, your folks were supporting it. I am astounded you don't believe the National Security Council, when they are carrying out what is obviously an intelligence activity, comes under the purview of the law."

You reply, "Senator, it seems to me that the activity that they were undertaking was primarily a diplomatic initiative for which we were providing operational support."

Now you went on in subsequent questioning to, I think, at least modify that statement somewhat. But at this point in time how would you answer that question?

Mr. GATES. Senator, I would regard, if it were—if I thought there were an illegal intelligence activity going on in any agency of the Government, I would first notify the head of that agency that I had that belief and that I believed he had an obligation to inform the Congress.

If he did not do so, I would then inform the President and tell him that I felt the Congress should be informed and if the President did not act, then I would inform the Congress or I would resign and then report to the Congress.

Senator NUNN. I believe that is abundantly clear, and that would include the Agriculture Department, if a meat inspection outfit started running guns somewhere, you would believe that would be under the purview of your obligation to report?

Mr. GATES. Yes, sir.

Senator NUNN. Okay. Would your answer be any different if the improper illegal activity that came to your attention involved a covert action in which the President's Finding directed that the Congress not be notified of the covert action?

Mr. GATES. No, sir, I would not. I would tell, first of all, I think it is worth spelling out my view on non-notification of the Congress because I think it is tied directly to the answer and it is that I don't want to get into the constitutional argument.

Let me just put it in terms of how I would look at it as a matter of policy. I think that the cost imposed on the relationship between the Executive branch and the Congress and particularly between CIA and the Congress by the non-notification in 1986 was so high that I believe that as a practical matter, I would recommend against non-notification of any finding to the Congress.

In other words, I believe that the Congress should be informed of every Finding signed by the President. Again, not as a constitutional matter, but as a practical matter and within 48 hours, which is the standard practice now. Should the President decide for some reason, involving life and death, not to notify the Congress, it is my view that that non-notification should be withheld for no more than a few days at the most.

Should it extend beyond that, I would argue or raise it on a daily basis with the President and if it reached a point where I felt that

the non-notification were no longer warranted or that a relationship of trust and confidence between the Agency and Congress was jeopardized, then I would contemplate resignation.

Now under those circumstances, I think that if I were to find that something illegal were going on in that context, I would make the case to the President: (A) that it make it imperative to inform the Congress; and (B) that I could no longer serve as Director if that could not be done.

Senator NUNN. So at that point you would confront the President with it, even if he had said that the Finding was not to be made known to the Congress, if you discovered something that you believed to be illegal, or you had strong suspicions might be illegal, during that interim period before notification, you would first confront the President and say, Mr. President, I believe that this may be illegal. We must notify the Congress, and then I understand, if he said no, then you would resign, is that correct?

Mr. GATES. I would have to see the specific circumstances but that certainly would be my strong inclination, yes, sir.

Senator NUNN. Now let me go to people outside the Government, let's say there is another General Second in the future. Do you believe you would have responsibility to report to the Congress and to the Congressional Committees, I am speaking of the oversight committees, improper or illegal intelligence activities of a third party involved in intelligence activities.

Mr. GATES. Involved in U.S. intelligence activities?

Senator NUNN. Yes.

Mr. GATES. Yes, sir.

Senator NUNN. What about criminal activities the CIA uncovers in the course of routine gathering of intelligence, something that you would not call an intelligence activity, let's take money laundering and take the BCCI activity that is now at least alleged to have occurred.

If you came across that kind of information in your job-to-be, what would you feel was your duty with respect to that?

Mr. GATES. I would see no difficulty in having that be a part of regular intelligence briefings to the Congress. But let's differentiate in an area that is much narrower than that, but one that confronted me directly as DDCI, and I will use the example that caused me to have our General Counsel's office look at it.

Often in the course of interviewing applicants for employment by CIA, either before or during the polygraph examination, we will come across information suggesting that somebody violated the law or may intend to violate the law.

In normal circumstances, I think we notify the Justice Department of that. The one particular set of cases that came before me in 1986 where I arranged for some new procedures to be written, concerned several instances that came to our attention of people that appeared to the interviewers as potential child abusers.

And we worked out arrangements with the Justice Department and the FBI where we could get that information to people and to local authorities, either social service or law enforcement authorities, so that they could at least keep an eye on the situation. So I am trying to differentiate between that sort of thing and the BCCI sort of thing that you are talking about.



And I see no reason at all why the BCCI sort of thing shouldn't be briefed as a matter of routine.

Senator NUNN. While you were at the agency, did any information about BCCI that would indicate illegal activity there, come to your attention? Did you report anything of that nature?

Mr. GATES. The only report that came to my attention that I recall was I received a call in—I don't remember the chronology precisely, but sometime in 1988, I think—I think the initiative came from Commissioner von Raab of Customs, asking if we had any information, or that they had a law enforcement case against BCCI, and did we have any problem with them going forward with their criminal investigation or prosecution.

And I received a 10 minute briefing by our clandestine service officers on the information that they had, a brief review of the information that they had put together on BCCI, just a couple of examples of its illicit activity, but also the assurance that there was no reason why that investigation couldn't go forward and I communicated that information to Mr. von Raab and also sent him a copy of a report we had received.

I don't know specifically whether that information was briefed to the Congress or not. There is no reason in my mind why it shouldn't have been.

Senator NUNN. In other words, you felt that the allegations that came to your attention on BCCI were turned over to Mr. von Raab?

Mr. GATES. Yes, sir.

Senator NUNN. Were there any other activities of BCCI that came to your attention that were not turned over to somebody in law enforcement?

Mr. GATES. Not to my knowledge, Senator. We had one report from—we had done some earlier work in the mid-1980's, 1984 and—late '84 and early '85, at the request of the Treasury Department and had reported all of that information to the Treasury Department and the Office of the Comptroller of the Currency, that was through January of '85.

We then had another report in September 1986 that was sent to Treasury and several other agencies, and then I understand there was another report in May of 1989 that went to a number of agencies. Those are the only ones that I am aware of.

Senator NUNN. Mr. Gates, the new Congressional oversight provisions define the term covert action as "an activity or activities of the United States Government to influence political, economic, or military conditions abroad, where it is intended that the role of the United States Government will not be apparent or acknowledged publicly."

The law then goes on to exempt "traditional military activities" or "routine support for such activities" from the definition of the term covert action. The conference report accompanying those provisions makes clear that to be exempt the military activities must be performed by military personnel under the direction and control of a U.S. military commander, must precede and relate to hostilities which are either anticipated to involve U.S. military forces, or where such hostilities are ongoing and where the factor of the U.S. role in the overall operation is apparent or to be acknowledged publicly.

Do you have any problem with that definition of military activity, because it could be enormously important in the future in distinguishing intelligence activities from military activities which trigger all the different obligations you would have.

Mr. GATES. Yes, sir. I am not a lawyer, but I don't have any problem with it.

Chairman BOREN. Let me qualify, Senator Nunn, are you quoting from the conference report, the conference report of the authorization bill which was the last one that was adopted for 1991?

Senator NUNN. I believe so. I believe that is the case, right.

When the President signed that Act he stated, quoting him, "in determining whether particular military activities constitute covert actions, I shall continue to bear in mind the historic missions of the Armed Forces to protect the United States and its interest, influence foreign capabilities and intentions, and conduct activities preparatory to the execution of operations."

It seems to me, and I am not trying to make a lawyer out of you here and you can come back and study that, but it seems to me the President swept in virtually anything in his signing of that, and it seems to me that there is a real difference, particularly when he used the term, "to influence foreign capabilities and intentions."

It seems to me that was a very broad sweeping situation and what I wonder is, if we have gone through 4, 5, 6 years of defining intelligence activities, making you keenly aware of it in your responsibilities, as you said, that you will be more keenly aware than anybody who has ever been in your position, and frankly, I believe you, and then all of a sudden we have this military activity exemption.

And bang, the whole other door opens up over here. We on the Armed Services Committee are going to be watching that very carefully and without posing a question to you, you can comment if you like, I hope you will get your attorneys to take a look at that. I hope you will consult with White House counsel or perhaps you were involved in drafting the President's statement.

But I see a fundamental difference between what the conference report and Congress intended and how the President described that military activity because the way he described military activity would virtually cover everything the CIA has done that I know anything about in covert activity.

So would you take that under advisement and perhaps in a month or two, when things quiet down you could let the Committee know how you view that and what you believe your responsibilities are, vis-a-vis "military activity" versus "intelligence activity."

Mr. GATES. Yes, sir.

Senator NUNN. Mr. Chairman, I will just ask one other question here.

Mr. Gates, you testified that Director Casey placed you in charge in November of '86 in the preparation of his testimony that was going to be before these Intelligence oversight committees, correct?

Mr. GATES. He addressed the memorandum to me in which he laid out a number of things that he wanted put together for him to use, yes, sir.

Senator NUNN. You also noted that when the CIA General Counsel recommended the testimony be delayed, you advised him a delay would not be politically feasible, correct?

Mr. GATES. Yes, sir.

Senator NUNN. You testified there was a great deal of confusion in the conference room and that Casey was literally tearing pages and changing the prepared text, correct?

Mr. GATES. Yes, sir.

Senator NUNN. So there is no doubt in your mind that this was, not only a somewhat urgent matter, but a very important matter?

Mr. GATES. Yes, sir.

Senator NUNN. Tell me then, after he made the changes and after he delivered his statement or even before, when did you first read what he finally said as opposed to what you yourself had prepared?

Mr. GATES. I assume that I was given a copy of his testimony as it was finally delivered the next day. I don't know when I focused on it after that. I was getting ready to go to California, I just don't know.

Senator NUNN. You don't recall focusing on it and saying, gosh there is a lot left out here, perhaps I had better talk to the Director again or perhaps I had better let somebody know that there is an awful lot missing here?

Mr. GATES. Well, sir, some of it, as I indicated earlier, a number of the details had been left out, but as far as it has been conveyed to me, most of these issues concerned matters about which there was disagreement or where people weren't sure of the facts.

So I wasn't looking at it from a skeptical standpoint at all, and in fact assumed that there would be—we had indicated that we would be back to the committee as soon as we found more information, and so it was very much in that vein, that it was simply the first step in what would inevitably be several attempts to keep the Committee informed as we found out more.

Senator NUNN. You don't recall having read it at any point and saying, golly, there is a lot left out here, we really have made some serious omissions and we had better correct it. You don't recall doing that?

Mr. GATES. No, sir, I don't.

Senator NUNN. Thank you, Mr. Chairman. I'm going to turn over my last few minutes to Senator Warner.

Senator WARNER. Thank you, Mr. Chairman.

Chairman BOREN. There is as cooperative a relationship in the Armed Services Committee as here.

Senator Warner.

Senator WARNER. First, Mr. Chairman, I wish to commend you and the staff, indeed all Members of the Committee, for the manner in which this hearing is being conducted. To our nominee, I think he has been very responsive throughout this hearing, and I think we have had a very good first day. I hope it sets the tenor for the balance of this very important session under our advise and consent procedures.

I'd like to turn now to, right after the questions of Senator Nunn on this issue of presidential approval and reporting on covert actions, that famous phrase, which is in section 503(c)(3): "whenever a

Finding is not reported pursuant to paragraph (1) of this section, the President shall fully inform the Intelligence Committees in a timely fashion."

What is your general understanding and what would you hope to pursue, as a policy, as a definition of "timely fashion?"

Mr. GATES. Senator Warner, the standard practice for CIA is to notify the two Intelligence Committees within 48 hours of the President's signature of a Finding. I think that that constitutes "timely notice."

If there were a non-notification, if the President decided not to notify the two Committees, then, as I indicated to Senator Nunn, I would consider timely notice, or that period, to be a few days.

Senator WARNER. A few days.

Mr. GATES. Yes, sir.

Senator WARNER. So we are not getting into the area of weeks, or a month, or anything like that, in your judgment?

Mr. GATES. No, sir.

Senator WARNER. I think that's very clear and extremely helpful.

Now, under Section 503, again, those areas in which the President can make the decision to delay notification are defined as actions which are necessary to support identifiable foreign policy objectives of the United States and as important to the national security of the United States.

Having spent a lifetime in intelligence as a careerist, give us some examples that you would think would necessitate that type of extraordinary action by one branch in withholding information from another branch.

Mr. GATES. The only thing that I can think of, Senator Warner, off the top of my head, or actually having thought about it a fair amount, as a matter of fact, is a situation, for example, of potential hostage rescue mission or some event that involves genuine life and death circumstances during a very short period of time.

Senator WARNER. During the course of the military action in the Gulf and afterwards, the public opinion in this Nation was divided on the current policy with respect to assassination provided by Executive Order. What are the pros and cons of that policy, and do you anticipate bringing up with the President, if confirmed, any revision of that policy?

Mr. GATES. Well, I think the argument in favor of it is that if this government were able to eliminate a figure, such as Saddam Hussein, or an earlier historical example usually used was Hitler, that many, many lives would be saved, much treasure saved, and the whole world saved a lot of trouble.

I think that assassination, that the idea of a gun or a stiletto in the alley is not an appropriate instrument for the foreign policy of the United States of America. I'm against it. When it was legal, I don't think we did it very well. And I think that I would, if the issue were to be raised in front of the President, I would oppose a change in our current policy.

Senator WARNER. I concur in the views you've expressed.

Let me turn to page 4 of your statement, an excellent statement. You said, "Communism everywhere is dead or dying. A number of long-standing regional conflicts are coming to an end. The Cold War is over."

Then, you were cautious to add down at the bottom the equally important facts about the 30,000 nuclear warheads and, particularly, the proliferation, the distressing proliferation of weapons of mass destruction, chemical or biological. In my judgment, this is the single, most important thing that we've got to direct the resources of this country to today, to try and stop the proliferation, and then develop such defenses as we feel are necessary for ourselves, our allies and friends against it.

What initiatives would you hope to instill in the system that would deal specifically with this question?

Mr. GATES. Senator, I think that, as one of his last acts, Director Webster established an Inter-Agency Center to work the proliferation problem. There has been a significant increase in the budget on issues relating to proliferation, I think something like a 75 percent increase in funding from 1991 to 1992, something like that.

I think that there is a lot more that can be done. One of the things that I notice is that a high percentage of the resources addressed to the proliferation problem are perhaps appropriately addressed to nuclear proliferation. But I'm concerned that we may not be devoting adequate sources to both the chemical and the biological, or, as one of the Senators commented this morning, the "poor man's atom bomb."

The ease with which these things can be developed and the ease with which they potentially can be delivered is very worrisome. We have seen in the cases of proliferation around the world that at least you have a long lead-time. At least it costs a lot of money. At least you need to go get foreign help.

So there are a lot of opportunities to try and get at the nuclear proliferation problem or at least be aware of when you have a problem. My worry is that in the chemical and biological arenas, you might not even know you've got a problem until too late. So the only, the only suggestion, sort of off the top of my head, under these circumstances that I would have, would be to look very carefully at the resources being devoted, particularly on the chemical and biological side.

I think also the proliferation of these ballistic missile technologies is another area that warrants very close attention. As I say, I think the community has already identified proliferation as a very major priority. I think it's a matter of looking at it and seeing what additional efforts can be made.

Senator WARNER. What about during the course of the coup? I mentioned in my opening statement this morning; my concern for the fact that the underlying premise of deterrence has always been, since the aftermath of World War II, that on both sides there would be rational men that would have to make the decision respecting the use of the nuclear weapons. And here, we see in the Soviet Union for periods of time, that those who had the codes were intoxicated. Right at that seat where you are Admiral Akhromeyev sat and addressed the Armed Services Committee just a matter of months ago, the closest military adviser Gorbachev had. And he took his life, as did, I think, some others.

What steps should our government take, perhaps in conjunction with other governments, to try and insure a greater stability in terms of the control of nuclear weapons?

Mr. GATES. I certainly think that there are grounds for a dialogue with the leaders of the new Central Government in the Soviet Union and with appropriate republic leaders about command and control of nuclear weapons and how this new government intends to deal with it.

Senator WARNER. Would you raise that as a priority in the Agency and within the intelligence structure?

Mr. GATES. Yes, sir.

Senator WARNER. On the subject of arms control, if you were called in today, if the President were to ask you should I or should I not send up the START Agreement, bearing in mind that a very important part of that agreement should be brought up in the Senate in the foreseeable future, its verification, how could we assure ourselves under a START Agreement, or even during the course of the deliberation on the START Agreement, that we would have an accurate knowledge of how that agreement would be verified, given the fractured state of the Central Government in the Soviet Union today?

What advice would you be prepared to give the President?

Mr. GATES. The primary advice that I would give the President is that we must devote the resources necessary to fulfill our opportunities under the on-site inspection provisions to insure that we had the kind of people, the quality of people, who were both linguistically and technically qualified, to be able to see to it that the Soviets were carrying out the obligations that they had made.

Senator WARNER. Do we have adequate assets in place today to do that, and particularly if we are no longer dealing with the central government but we have to deal perhaps with some type of central government as well as individual republics?

Mr. GATES. Well, Senator, in the vein of full disclosure, I feel obligated to remind the Committee that, when I testified as Deputy Director for Central Intelligence on the INF Treaty, I stated that the INF Treaty would put us at the edge of our verification capabilities and that I thought START would put us beyond it.

Now, that said, we have been able to negotiate on-site inspection provisions for START that I did not anticipate in 1986, which gives us a considerable additional insight and capability.

But, that said, I think we still have a problem in getting the number of inspectors that we're going to need who can speak Russian and who have a good, technical background. I had this vision at one time, when we were talking about on-site inspection, of a ten-man U.S. team, none of them speaking Russian, and a big sign in Russian saying "this way to the violation," and nobody could read it.

The Community is stretched in terms of the number of people who have both of those capabilities. I think it's going to have to be a matter of cooperation between both the Executive Branch and the Congress in terms of assuring the resources in the future to be able to do those jobs appropriately.

Senator WARNER. Let's go back again to the Soviet Union today. Given the state of affairs that exists here at nearly 6 o'clock on this Monday evening, are we in a position, as a nation, to continue beginning new initiatives in arms control, or should we sort of put this process on hold for a period within which the Soviet Union



sorts out and we know exactly with whom we deal, given that in your area of responsibility, i.e., verification, there are some question marks?

Mr. GATES. Well, Senator, the question about whether to go forward with new arms control initiatives is really at root a policy question.

Senator WARNER. But it hinges on the ability to have verifiable, that is, verification provisions in the treaty, which come within your area of responsibility.

Mr. GATES. Yes, sir.

I that, frankly, until they get themselves sorted out in the Soviet Union, or in the former Soviet Union, or whatever they are going to call it, until things settle down, until we have a better idea of just what the central military role is going to be, until we get a sense of who the new team is—they are having a hard time just finding people in the Foreign Ministry to talk to us about some of the arms control issues that we have on-going with them right now—so, until that all settles down and sorts out, I think that, from the standpoint of intelligence, it would probably be, if I may use the word “prudent,” to wait until things sort out a little bit.

Senator WARNER. You’ve given some very dramatic testimony today about your former boss, Director Casey. Indeed, I must say I was struck by the description of the chaotic situation in the office when a dozen or so people were all trying to talk and papers were flying. That troubles me. Then you said there’s always a problem of sorting out who knew what and when.

What type of organizational structure, what type of controls would you place in the Agency, were you to be confirmed, that would provide for a better accountability and, hopefully, situations that would avoid a room full of people in complete dissension who are really unable to put together a good paper? What is it that you’re going to do to avoid the pitfalls that it appears now that Casey fell into repeatedly?

Mr. GATES. Senator Warner, Mr. Casey had his style. I described it earlier. He was basically an independent person, a lawyer, author, and did not come up in a bureaucracy, and I have my style. For good or ill, I’ve been in the bureaucracy my entire career, 25 years. I think I testified at one time that it may have taken Iran-Contra to give bureaucracy a good name because using the system involves using the built-in safeguards in the system.

I think that you can use the system and take advantage of the safeguards without reducing intelligence effectiveness and without necessarily reducing risk-taking or willingness to take risks.

Now, what happened when I became Acting Director was that I began the set of institutional changes that Director Webster then codified in terms of how covert actions are to be originated within the Agency, the internal approval process in the Agency, ones that insure that the General Counsel, and the Comptroller, and that the appropriate deputy directors—in other words, all of the people inside the Agency who have a legitimate role to play—play that role; and then, very set, established procedures for how covert actions are considered within the Executive Branch, including the presentation of findings to the NSC in the presence of the Attorney General and the President and so on.

I think that the institutionalization of those procedures—and I will claim some of the credit with Director Webster for putting those in place in 1987—are one of the reasons why there hasn't been a crisis of confidence since Iran-Contra in these relationships.

Now some people say that that defeats risk-taking, it makes people too cautious, it makes people afraid to take chances. I don't think that's necessarily the case at all, and, quite frankly, I think, without going into any detail in this open session, that our clandestine service has had some remarkable achievements over the last two or three years and done so within the framework of the rules.

Senator WARNER. Well, in summary, would you say that if you were to assume the responsibility of DCI, that there would be only minor modifications to what Director Webster has put in place?

Mr. GATES. Yes, sir.

Senator WARNER. This, of course, raises the question. There has been a lot of talk, and it seems to me it's loose talk, about the morale within the Agency now. That's very important.

Senator Chafee and I once had a very important department ourselves, pretty much the size of the CIA in some respects, and morale is important.

How do you find the morale in the CIA today?

Mr. GATES. That's a difficult question for me to answer, Senator.

Senator WARNER. What would you do then to try and correct it if, in fact, it has slipped? I look at this not only from the standpoint of just a Senator, but they are my constituents, many of them, in the Commonwealth of Virginia.

Mr. GATES. I have not been to the Agency but once since I left there in January or the Spring of 1989, and that was, I think, in 1989. So it's hard for me to judge a question like that.

I think that, although that question is raised a great deal, it always seemed to me when I was out there that to generalize about morale in a place as big as CIA is probably unwarranted. While all of these crises and other things go on, I remember during the mining of the harbors—somebody mentioned that this morning, the mining of the harbors in Nicaragua—part of the Agency was embroiled in that whole thing. We just kept pumping out analyses and doing our job and I think morale was pretty good in the DI doing its part of the work.

I think that the most important thing for morale in a place like CIA is a sense of confidence that the work they are doing is valued as important by the President, the Congress, and the American people. And when they feel that their work is appreciated, and though maybe not as readily as we should, I think we are ready and mature enough to accept our failures and our shortcomings and to acknowledge that there have been failures. But the work that they do and the work that this Committee is familiar with speaks a good deal of success in that. And, to the degree that they feel that success is known about and appreciated, I think that has more bearing on morale than any other single factor.

Senator WARNER. And a key to that is the degree to which the President has confidence in the Director, not only of Central Intelligence, but to the extent that Director also has the responsibility of the DIA and you know the other subdivisions of intelligence. So I think it is important. I believe that you carry that and can bring



them to the round table, as I said, and make them all a full partner, so that they have a sense of confidence that their work product is going directly to the President and to the members of the Cabinet, and, indeed, to the Congress.

During the course of the budget deliberations, as you know, Senator Nunn and I have responsibility for the budget in that much of it is embraced within the Department of Defense budget. There has been a lot of hue and cry that we ought to make more and more of it public; that is, the total amount of public dollars within the DOD budget that are used for the purpose of CIA, DIA, and others.

How do you feel about the direction on which I think Director Webster was quite responsive on that. He tried to reach for more openness.

How would you examine that question of greater public disclosure with respect to the budget issues?

Mr. GATES. Senator, when I talked in my opening statement about perceptions of CIA and the need for CIA to do more in the way of openness, the kinds of steps that are required it seems to me are likely to be painful ones and controversial ones.

Senator WARNER. That's in the reorganization that must come about.

Mr. GATES. And the question of how much more information do you make public about what CIA does and the Intelligence Community does in order to try and build public confidence.

The question of making public even the top line budget number of the Intelligence Community is very controversial within CIA, within the Intelligence Community, and I imagine within the Administration itself. The argument is made that it's the slippery slope, that if you put that number out, then the demand for a more detailed number, for the breakdown then of each agency within the Intelligence Community will be required, and then subcategories below that, and so on.

My own view is that at a certain point, if the Agency is to play the role that I think it needs to play, we're going to have to take some chances. And so, from my personal perspective—and it's not ultimately my decision, I suppose, but the President's—I don't have any problem with releasing the top line number of the Intelligence Community budget. I think we have to think about some other areas as well. But, as I say, it's controversial.

I must say I think the Committee was briefed—I heard this—by some of the Founding Fathers of the Agency and the community a few months ago. And one of them mentioned to the Committee that the idea of keeping the intelligence budget secret in fact, in 1947, didn't come from the Executive Branch. It came from the Congress that felt that giving too much information away like that would be a mistake.

I think that's one of those old issues that probably deserves to be revisited.

Senator WARNER. The staff of our Committee has done, I think, a very good job in putting together a considerable amount of material for the benefit of Members. One section here is devoted to a subject called politicization of intelligence.

Now you understand that term. I have an understanding. The vernacular is "cooking the books," which means that, as you

gather the intelligence in the field and then come back toward the assessment, then, finally, there are one or two individuals who compact it and synthesize it in such a way that it moves on up to the final echelon, and from there is distributed to the President and throughout governments.

As I understand it, there are going to be some witnesses who are going to come in and point their finger, frankly, at your record and say you're guilty of politicization of intelligence and cooking the books.

I'd like to have you now lay a foundation for what you understand those terms to be and how you would refute such allegations.

Mr. GATES. I look forward to the opportunity to respond to those allegations, Senator.

This is an area that I have grappled with throughout my career. When I was a young analyst, I was absolutely convinced that the refusal to accept my analysis was politically motivated by the people on the seventh floor at the Agency.

At the other end of the spectrum, as a policy maker, I have been absolutely convinced at times that the CIA and the Intelligence Community went out of their way to stick their thumb in the eye of the policy maker and make him look stupid.

The Agency itself has struggled with this issue from the beginning. You'll remember the missile gap in the 1950's, all of the allegations during the 1960's, that the Agency cooked the books on the number of Viet Cong, allegations in the early 1970's that the Agency slanted intelligence to support detente and arms control, allegations in the late 1970's that we slanted the intelligence on energy to support the Carter Administration's energy policies. The allegations of politicization in the Soviet area have continued well past my departure from the Agency, and I think probably never in the anticipation that I would be back again, but just as recently as this last June, the Deputy Director for Intelligence felt it necessary to put out a circular to the analysts talking about this issue.

My perception is that, or my view is that we have a perceptions problem and we have reality. I think the perception of the question of cooking the books depends on where you sit.

I think that most policymakers believe that the Agency does—let me rephrase that. I think some policy makers believe that the Agency occasionally does have a slant. But it's the Agency's own slant in the view of the policy maker, not an idea of supporting the policy—quite the contrary—that the Agency is publishing intelligence designed to weaken the policy.

I had many discussions about this with Secretary Shultz, and he was very concerned about our work on the Philippines, on Angola and the Soviet Union, where he felt that we had our own agenda.

If you're a young analyst or a junior analyst and your work comes back and it's got criticisms written all over it, or somebody says this isn't germane or this doesn't address the question, it's a lot easier to assume that the people on the seventh floor rejected it because it was politically motivated, or their rejection was politically motivated, than perhaps that their work didn't meet the standard required.

The reality is that, year in and year out, the Agency published time and time and time again intelligence that challenges the pol-

icymaker and challenges the policies of any Administration that is in power at the time. During the Reagan Administration, we published papers saying that Soviet defense spending, the rate of growth in Soviet defense spending was going down.

If you think it was fun to publish that when Cap Weinberger was sitting over in the Pentagon, I think you'll appreciate the situation. Or, just to take one other example involving Secretary Shultz, the Estimate that we did on Lebanon in 1983, where the first sentence of the Estimate was: "The prospect for the achievement of American objectives in Lebanon is very bleak."

So, Senator, I think that the reality—let me just make one other comment—the reality is that I think intelligence does an honest job of reporting what it truly believes. But the belief that there is a problem is important enough that it requires constant attention. That's why we repeatedly have the Inspector General look at these problems or these allegations, why we've welcomed those occasions when the Hill has looked into it, and it's one of the reasons why, as I indicated in my opening statement, one of the surest protections for the objectivity of CIA's work is that virtually all of it comes up here to the Hill to anywhere from two to eight Committees.

Senator WARNER. That's a very good answer. You may have to follow up on that after these witnesses. But I judge you're prepared.

Now to my last question, Mr. Chairman and Members of the Committee. You state, "Some of our allies in that long, Cold War, are now our serious adversaries in the global economic marketplace." You also state, "If confirmed, I will recommend that the President launch, with the direct involvement of his most senior national security advisers, a major effort to determine the intelligence needs of the United States for the next decade or more."

Now a subject that you and I have worked on and we've discussed here is economic intelligence. As I, and others have mentioned, I think we've got to focus more of our assets in the Central Intelligence Agency as well as other intelligence agencies of the government and our departments and agencies on trying to give American industry, American traders a competitive edge. That requires greater surveillance of those efforts which are going on night and day in our trade secrets, technical information, a whole host of subjects. I wondered if you'd be willing to consider speaking with the President and the Cabinet, if confirmed, to give great emphasis not only in the CIA and overall intelligence, but in the departments themselves.

For example, there's a very small intelligence section in the Energy Department and there's a substantial one in the Department of State, but, again, I think a rather small one in the Department of the Treasury. I'd like to see greater emphasis put on building up those intelligence sections in the principal agencies and departments of our government dealing with U.S. economic policy. We need to really get down to business and try to do everything we can to keep jobs here at home. That will keep jobs here at home, the more we can keep our secrets here at home. The two go hand in hand.

And you willing to say that that's one of the initiatives that you referred to on page 9—that is, that you will take up with the President?

Mr. GATES. Yes, sir.

Senator WARNER. Do you think it deserves the merit and attention that I've suggested?

Mr. GATES. Yes, sir. I do.

Senator WARNER. I thank you.

I thank the Chairman.

Chairman BOREN. Thank you very much, Senator Warner.

I think we've had obviously a very full day already. We will come back at 7:30 and let me assure the nominee and Senator Metzenbaum that we will not go to an unreasonable hour. They've both given me looks that they don't want me to keep either one of them here till midnight or so on.

Mr. Gates, I appreciate very much some of the last comments that you've made in response to questions particularly from Senator Nunn and Senator Warner. There are many, many dedicated people who work for the Central Intelligence Agency. One of my frustrations as Chairman of this Committee as well, I am sure, as your frustration as a professional in the field is that we are not free to talk about the successes. As it has been said, I think in quoting President Kennedy, it's the failure that always get the attention in the media. They become known by the very nature of them. The successes are usually still kept a secret.

And so, it's often very difficult to find an appropriate way to thank those people who are providing such able and dedicated service.

I appreciate your comments along those lines and about the need for them to know that their work is appreciated and also that it has impact on policy and is seriously considered. I also appreciate your sensitivity to the fact that the oversight process itself, and a normal administrative process within the Central Intelligence Agency and the Intelligence Community, is one of the best protections that those professionals have that they will not be abused in terms of trying to be pushed to do things that they shouldn't do, that they feel are inappropriate, that violate their own ethical and professional standards, and also in assuring that their work will be considered in the proper fashion.

I've often felt that those provisions of oversight which are in place, for example, are among the best protections that the professionals in the field have. This is because if you follow the right process within the Agency, and you have the right reporting relationship with the Oversight Committees, there is less of a chance that good professionals are put in situations that make it almost impossible for them to do their professional duty and to do it in a way which they think is both appropriate and ethical.

I think some of the tragedies that we've experienced, in some cases with people who are basically good people who have been put in very difficult situations as professionals, are because the chain of command has been violated, because the oversight process has been violated, because normal process has not been followed.

And so I'm very glad to hear you put the emphasis that you've placed on an orderly way of doing business within the Agency and

a commitment to the oversight process which to my mind you have certainly demonstrated during your time as Acting Director and also as Deputy to Judge Webster. We've seen examples of it time and time again.

I'm also pleased, I might say, and I don't know if you've followed the work of this Committee but when you began to talk about those inspectors, the verification process and the inability to find people to speak the Russian language, you know this Committee has undertaken a very strong initiative in the education area. When we had the historians and those who were there at the birth of the CIA come in and talk to us. We asked them for their suggestion about what could we most do to improve the quality of intelligence in America. Some of us expected them to talk about reorganizing the Agency or shifting resources here or there. But they said please, Senators, improve the educational background of the people who will ultimately go into the making of national security policy in this country. We don't have enough young people in this country given an international perspective. They don't have experience studying abroad. Foreign language studies in this country have been neglected. Only 8 percent of our college students this year are taking any foreign language. Seventy-two percent of our universities don't even require a foreign language to graduate from college today.

Many Members of this Committee have joined together in a National Security Education Initiative, as we call it, to beef up efforts at colleges and universities to teach languages, area studies, international studies and the rest of it. We have also provided for graduate fellowships in this area particularly related to government service later.

I hope that that's something that you will find possible to support, at least in concept from what you've said. I thought the example you gave was a very dramatic one of the very kind of problem at all levels of government, in fact, at all levels of our society, of having people with the international skills we now need. But it particularly impacts the national security community, be it the State Department, the Intelligence Community, the Defense Department and others.

I hope that's something you would examine if you are confirmed, that is a renewed initiative in the area of education to improve our functioning all across the board because I think it is part of our national security. I wonder if you would agree with me that it is part of the definition of national security as we are now confronting these changed world situations.

Mr. GATES. Yes, sir. In fact, part of my graduate education was part of a National Defense loan.

Chairman BOREN. Part of or a result of the National Defense Education Act.

We are now in a period of time in which we need to have programs like that once again very much related to the new demands that are being placed upon us.

I appreciate your patience. You've answered, to my observation, our questions with great sincerity. You've made every effort to be candid and complete in your answers and to be very direct in your answers. I think we've had an excellent opportunity in this hear-

ing process today to not only put down a factual record that's very important, but also to discuss broadly some of the more important, philosophical questions that relate to the functioning of the Intelligence Community.

I appreciate the way in which you've approached our questions and this process today.

We will stand in recess until approximately 7:30 when we will then begin the questioning with Senator Metzenbaum. Again, I will promise you both that we will only go on for a reasonable period of time.

We will stand in recess.

[Whereupon, at 6:10 p.m., the Committee recessed, to reconvene at 7:30 p.m. the same day.]

#### EVENING SESSION

Chairman BOREN. We will come back to order. We resume our questioning this evening of Mr. Robert Gates, the President's nominee for the position of Director of Central Intelligence. I would remind our witness and have him confirm to me that he understands that he is still under oath in terms of answering these questions.

Mr. GATES. Yes, sir.

Chairman BOREN. I know it has been a long day, both for Members of the Committee and also for the nominee. We will not go on past a reasonable hour and if at any point Members of the Committee or the nominee feel that we have gone on long enough, we will stop at that point. But I did think it would be helpful if we could get as much of the questioning out of the way as possible tonight. We will simply resume in the morning wherever we leave off tonight.

So at this time, I turn to the Senator from Ohio and under the previous agreement with Members of the Committee we will not impose a time limitation because we know the Senator has several questions he would like to ask. We will just proceed, Senator Metzenbaum, with you and go on for a reasonable period of time this evening. If you complete, that is fine. If you don't complete, we will resume with you in the morning at 9:00, but we won't go past a reasonable hour tonight.

Senator METZENBAUM. Thank you very much Mr. Chairman, Mr. Gates.

Mr. Gates, as you know, I have been attending two hearings, this one and the Thomas hearing. In the Thomas hearing, Mr. Thomas takes the position that what he said in yesteryear is not his view as of today. In your case, you made three self-critical statements in your opening remarks regarding Iran-Contra, remarks that pretty much indicated that if you had it to do over again, it would have been done differently. Your's was a different approach than Judge Thomas', but in the sense it was, to use a term used by another Member of the Judiciary Committee, almost a "confirmation conversion." You said that you should have taken more seriously, after October 1st, 1986, the possibility of a diversion and that you should have done more in response to such concerns; secondly, that you should have been more skeptical of what you were told, including



what you were told by CIA Director Bill Casey; the third, that you should have pressed harder for a notification to Congress.

Now all of us welcome those remarks and we also understand how hard it is for anybody to make them in the glare of public attention. We still have a duty, however, to fully understand your activities during that period and, in particular, look at what you have told this and other Committees in the past. For the record may tell us much about how you will act in the future. At a minimum, that record must inform our own concerns regarding your nomination, concerns which you can then address.

So I would like to begin some questions relating not simply to Iran-Contra, but specifically to some statements that you made during and after that affair.

According to the July 20th, 1991, New York Times, the White House has confirmed that by early summer of 1986, you were ordered by Director Casey to coordinate the CIA's plans with the Pentagon and the State Department to resume covert US military aid to the Nicaraguan Contras. In this capacity, you met several times between May and September with the Chief of the CIA's Central American Task Force, Alan Fiers, with his deputy, or with his boss. In July 1986, you had at least one discussion with the National Security Advisor, John Poindexter, regarding the CIA taking over assets of the NSC-run secret re-supply mission.

So throughout much of 1986, you were the CIA point man for the resumption of covert military aid to the Contras. Yet, in February 1987, you testified under oath to this Committee that you were hardly involved in Central American matters. At that time, you stated, "Although the Director and I had no formal division of labor, in fact there was an informal division of labor. In this informal division of labor, the Iran project and also our Central American activities were basically issues which he paid special attention to."

You implied, Mr. Gates, that you did not pay special attention to those activities, that you left Central America to Mr. Casey. You gave this Committee the distinct impression in February 1987, at a time when the country was reeling over daily revelations about the Iran-Contra affair, that you were in no way connected to Administration efforts to support the Contras. Yet according to the White House, you were the point man for your Agency in dealing with the State Department and the Pentagon on plans for a new program to help the Nicaraguan Contras.

You met to discuss US aid to the Contras with Fiers, a man who has since admitted that he knew about the diversion of funds to the Contras. According to the New York Times story, at one of these encounters, Mr. Fiers told you about an August 1986 meeting, called by Donald Gregg, the Vice President's National Security Advisor, to discuss corruption within the re-supply network.

When you led the Committee to believe that Casey was involved with the Central American activities and you weren't, were you deliberately attempting to mislead the Committee about your work in support of the Contras?

## TESTIMONY OF ROBERT M. GATES—Resumed

Mr. GATES. Senator Metzenbaum, no I wasn't. Let me address several of the points that you have made.

With all the respect that I have for the New York Times, that account was inaccurate in important respects. I realize that it was sourced to the White House, and frankly I have no little experience in trying to deal with unnamed sources at the White House talking to the newspapers on various things, but let me address the 3 points that you made specifically citing the New York Times.

First, that I coordinated an effort in the early spring. That is not the case. What happened was that during the routine weekly meetings that Mr. Casey and I had with the Secretary of Defense, the Secretary of State or his deputy and the National Security Advisor, from time to time issues relating to Central America and the Contras would come up. There were a number of questions in terms of Congressional strategy with respect to the new legislation and how to support that. Once the Houses of Congress had voted for the new program there were questions of how to coordinate it because of the language in the statute that set up a new arrangement that required the State Department to be in charge of administering the program, and we were trying to figure out how to do that. And questions were raised by various senior people in the government about how we would do it. The Joint Chiefs of Staff had concerns with the plan for the Contras that there wasn't enough of a political content to it. We had trouble, the Agency was having trouble getting the Defense Department and different services to provide training facilities for the future for the Contras. So these were the kinds of problems that would come up.

They were—they came up in the context of these routine meetings and are a matter of record in my memos from those meetings. I did not chair or lead any interagency effort with respect to the Contras at that time.

With respect to meetings with Mr. Fiers and his deputy and his superior, toward the end of July, that summer, I decided to involve myself, I indicated earlier in the hearing, that I had not moved quickly to involve myself in clandestine matters—at the end of July, toward the end of July, I decided that I should involve myself, at least become more aware of what was going on in 3 particular programs that the agency was responsible for administering at the time. Three covert actions. And at that time I began having weekly meetings with the people in charge of those 3 programs to get briefings on how they were going and what kind of interagency problems they might be having and so on.

I was unable to make that meeting, or Mr. Fiers was unable to make the first meeting with me and as a result my first meeting with Mr. Fiers was not until toward the end of August. And between then and November I think Mr. Fiers and I had only 3 or 4 of those regularly scheduled meetings. So I did not have routine meetings with them and it only began toward the end of the summer.

With respect to the PROF note that Admiral Poindexter sent that he had talked to me about phasing out the private effort, let me just make two comments. First of all, if he did make such a



comment to me, it would have seemed a relatively natural thing. By the middle of July, the two Houses of Congress had passed \$100 million support program for the Contras and it seemed to me not an unreasonable thing that he would say that when this new program began that in effect the White House would encourage the private benefactors to stop their own efforts.

Now that said, I will tell you that during the period involved, apparently as I have gone back and reconstructed the record, Admiral Poindexter's note to Colonel North in—around the 26th of July was prompted by a PROF note to Admiral Poindexter from Colonel North the 15th of July raising this issue. Now the first part of that period I was in the Philippines, so I could not have had a discussion with Admiral Poindexter during the first part of it. And during the second period, there was no regular meeting between Admiral Poindexter and Mr. Casey and me, at least involving me. And in fact there is no record in my documents of my phone logs or my calendar of any phone calls or meeting with Admiral Poindexter at that time.

Now, that is not to say that I am 100% confident that he didn't make the comment to me that he did. But I would note that in his deposition from a year later that he was relatively uncertain that it was me that he talked to—he said he believed it was me that he had talked about. But the PROF note was very much broader in terms of just saying that he had mentioned to me about phasing out the private effort.

But as I say, just to reiterate on that third and last point, I would not have thought it unusual or suspicious for him to refer to phasing out the private effort now that the Congress had passed the official effort. And second, I have no indication of having had a conversation or meeting with Admiral Poindexter during that period.

Senator METZENBAUM. We expect Allen Fiers to testify on Thursday that in the summer of 1986 you called him, apparently in response to a request from North or Poindexter, and asked Fiers why the CIA shouldn't agree to buy the private benefactors assets. So even if you don't remember knowing about this proposal, one man says he called you about it and another will say you then called him. If that is the case, why did you call Alan Fiers rather than the Attorney General?

Mr. GATES. Well, if that conversation took place, and I don't have a recollection that it did, again the idea that the private benefactors at some point in being told that their efforts would no longer be needed, would want somehow to recoup part of their investment, does not surprise me. It does not strike me as particularly suspicious or difficult to understand that they would approach the government and say, as of the 1st of October, how about taking some of these assets off of our hands.

Senator METZENBAUM. Mr. Gates, you are a seasoned intelligence officer with decades of experience. It has come out that not only did your boss, Mr. Casey, know about the secret re-supply efforts carried out during the two year period when they were restricted, but your immediate subordinate, Clair George, CIA Deputy Director for Operations, also allegedly knew; Alan Fiers, Chief of the CIA's Latin American Task Force, knew; and Mr. Fiers said he told

his immediate superior, the second Chief of the CIA's Latin American Division, as well. Now that would leave everybody up and down the line with anything to do with Central America knowing that the Contras were getting U.S. support illegally all along.

You were restarting a military support operation which supposedly had been dormant for two years. Yet a number of Agency officials involved in Central American activities knew the Contras had been getting military support from us all along. As a matter of fact, a 17-page inventory was prepared by the North group which spelled out exactly the military equipment, operating locations and key personnel of the secret resupply effort. The inventory was part of a proposal to sell or lease the operation, which was valued at \$4 million, to the CIA, just as you said. Your job was to find out the true condition and needs of the Contras and respond to those needs. Admiral Poindexter has testified he discussed with you in July 1986 the possibility of the CIA taking over this \$4 million network.

The question really is, how could a man with your experience and position not have been aware or knowledgeable of the fact that the Contras were getting illegal military support from the U.S. especially when Agency officials working for you knew this was going on, and how could you have helped the Contras if you didn't take steps to find out what they had and what they needed?

Mr. GATES. Senator, when I became Deputy Director of Central Intelligence in April 1986, we were less than—well, some thirty days away from Senate approval of the new program for the Contras. The House approved it thirty days after that. So within 60 or 90 days of my becoming Deputy Director of Central Intelligence, the Congress had approved the new, official program of support for the Contras. As Deputy Director for Intelligence, I had no direct knowledge, or need to know, nor did anyone come to me with information about the private benefactor effort in support of the Contras. I arrived on the scene contemplating this new legislation and my attention was focused wholly on the future to the degree that I was involved with it at all. And was along the lines that I described earlier.

You will find a remarkable consistency in all those memoranda that I did of meetings with Secretary Shultz and Deputy Secretary Whitehead and Secretary Weinberger and Admiral Poindexter and so on about the nature of the problems that were discussed. In no case did those involve conversations about the private benefactor effort in any detail or in any way that would be improper or inappropriate. And no one came to me with the view that there was anything improper or illegal going on or even the suspicion of that. Again, the focus was completely on the future.

Senator METZENBAUM. And was there no reference at all to that which had been transpiring?

Mr. GATES. No, sir, other than just the mere fact of private benefactor—that there was no private benefactor support for the Contras.

Senator METZENBAUM. You met regularly with Alan Fiers once you became Deputy Director, and especially after August 1986. Those meetings were held on the same days that Mr. Fiers met with the Restricted Inter-Agency group, or RIG, a top-level body on

Central American policy in which other members included Oliver North for the NSC, and Elliot Abrams, the Assistant Secretary of State. Are you now telling us you didn't discuss issues that the RIG was handling regarding ongoing efforts to support the Contras? And was that because Friers lied to you, or did you never bother to ask what was going on?

Mr. GATES. I did not inquire of him of the private benefactor effort, Senator. As far as I was concerned that area was out of bounds for CIA. I assumed that we had no improper or inappropriate contracts with the private benefactor effort. Again, the focus was on the future. I don't have any reason to believe that he misled—lied to me, and I would acknowledge to you that I did not press him or ask him about the private benefactor effort.

Senator METZENBAUM. It's clear now that the CIA did not refrain from learning about what the Contras were getting. Perhaps you remained unaware, ignorant of the facts. But given the fact that officials above and below you knew what was going on, do you still think it's fair to say that you and the others at the CIA didn't have the faintest idea how much money the Contras were getting?

Mr. GATES. Well, I can't speak for others, Senator, but I think that certainly is a fair statement on my part. And I think that when I was DDI we had some idea of the supply effort—of the fact that the Contras were receiving outside support, but I don't think we were ever able to quantify it.

Senator METZENBAUM. You learned on December 5th, 1985, that there was a secret Presidential Finding that authorized the CIA to participate in covert activity which violated U.S. policy with respect to paying ransom to terrorists for the return of American hostages. The Finding retroactively authorized CIA activities that had already occurred and that, without the Finding, were quite possibly illegal. In addition, the Finding was never provided to the Congress, even though the operation breached a long-standing embargo on sending arms to Iran and put our country, which was supposedly neutral, in the position of supporting Iran in their war with Iraq. A subsequent Finding authorizing even more direct U.S. involvement in arming Iran, signed January 17, 1986, also contained a restriction with respect to telling Congress the facts. You were aware of both of these political moves to keep Congress in the dark. Yet, on April 10, 1986, you testified in this very room to the following effect: "Every so often the assertion is made that U.S. intelligence, and CIA in particular, deeply dislikes oversight—resists keeping the Committees informed—carries out its reporting responsibilities grudgingly and minimally and would like to return to the so-called good old days before oversight. This public hearing affords me the opportunity to say that these allegations are wrong. The concept and principles of Congressional oversight of intelligence are fully accepted within the American Intelligence Community." The question I have is, how could you tell this Committee that you and the CIA were unequivocally supportive of congressional oversight of intelligence activities at the exact moment in time when you were helping to conceal from Congress an operation which was contrary to the stated policies of this country?

Mr. GATES. Senator, I meant what I said in that testimony, and all I can tell you is that at that time, I, along with all others in

CIA, were under a Presidential edict in that Finding not to brief the Congress.

Senator METZENBAUM. You were under oath at that time just as you are under oath now, so when you gave us that answer, were you violating your oath because you were under a Presidential order? Is that what you're saying?

Mr. GATES. I wasn't violating my oath, Senator Metzenbaum, in talking about the importance of the relationship with the oversight committees and the importance that they serve for the Intelligence Community, not in the slightest.

Senator METZENBAUM. But you did say the public hearing affords me the opportunity to say that these allegations are wrong. So that is a specific representation to the Congress that the allegations were wrong when, in fact, they were right.

Mr. GATES. The allegations of what, Senator?

[Pause.]

Senator METZENBAUM. You had learned that there was a secret Presidential Intelligence Finding that authorized the CIA to participate in covert activity, which violated U.S. policy with respect to paying ransom to terrorists for the return of American hostages, and that the Finding retroactively authorized CIA activities that had already occurred and without the Finding was quite possibly illegal. In addition, the Finding was never provided to the Congress, even though that operation breached a long standing embargo on sending arms to Iran and put our country, which was supposedly neutral, in the position of supporting Iran in their war with Iraq. Given this and some of the further things that I previously mentioned—I'm just reading these from the questions I just asked you—when you said that those allegations were wrong, weren't you misrepresenting the facts to us?

Mr. GATES. I don't think so, Senator.

Senator METZENBAUM. You had testified that the assertion is made that U.S. intelligence and CIA in particular deeply dislikes oversight, resists keeping the Committees informed, carries out its reporting responsibilities grudgingly and minimally, and would like to return to the good old days before oversight.

It was those allegations that you were saying were wrong, but the fact is that at that very time the CIA was doing exactly what you are saying they didn't do.

Mr. GATES. Senator, it was my personal opinion that as I gave it to the Committee at that time, that at least certainly from my perspective, that the Intelligence Community did welcome the role of the Intelligence Committees and those other items that you mentioned. And I stand by that today.

Senator METZENBAUM. But at that very moment, that very point in time, you were helping to conceal from Congress an operation which was contrary to the stated policies of this country. And you didn't say anything about that.

Mr. GATES. Under the direction of the President, Senator.

Senator METZENBAUM. Would you say now that if the President directed you to misrepresent the facts to the Congress of the United States, that you would follow his direction? I thought I heard you say earlier that under those circumstances you would

resign. Did I miss something? I listened only partially to the line of questioning of Senator Sam Nunn.

Mr. GATES. I will not misrepresent the facts to the Congress or to this Committee, Senator.

Senator METZENBAUM. But you were—you did so at that time, is that what you are saying?

Mr. GATES. No sir. I do not believe I did.

Senator METZENBAUM. All right, but you did make that statement. You also stated that, "Congressional Committees and Executive Oversight organizations such as the Intelligence Oversight Board and the President's Foreign Intelligence Advisory Board should give Americans confidence that their intelligence service is accountable, carries out its activities according to law, and that we are guided by standards and values acceptable to them."

You made that statement while at the very same time you knew that the CIA had been going behind Congress's back, selling arms to a terrorist country and using the secret trade of weapons as ransom for kidnapped hostages. Do you still believe the intelligence service deserved America's confidence, that it was accountable and carried out its activities "according to law—guided by standards and values acceptable to them," in your words?

Mr. GATES. Senator, first of all I think it is important to underscore that the President's authority to withhold notice of a Finding from the Congress is provided for in the law in the statute. And we were following the President's direction at that time. And I believe that those in the Executive branch were comfortable that the withholding was legal. I've acknowledged on a number of occasions that the length of time it was withheld was a serious mistake, that it ruptured the relationship between the Agency and the Intelligence Committees. But I think it was a legal action on the part of the President, although I know that there is a question over the extent of the time that it was withheld and whether that extent of time really was within the framework of the drafters of the legislation.

But I think it is important to underscore that the legislation provided for that withholding from the Congress.

Senator METZENBAUM. And how long was that information withheld?

Mr. GATES. It was withheld almost—well, between 10 and 11 months, Senator.

Senator METZENBAUM. And you never thought at any time during that period your obligation was to come to the Congress or go to the President or go to your superior and say this isn't right?

Mr. GATES. Well, I did talk to Mr. Casey on several occasions, as I referred to in 1987 testimony, to tell him that I felt we were going to pay a terrible price with the Committees for this. And as I indicated earlier, in September in a meeting I told him that I thought the entire Iran affair should be stopped.

I'll be honest with you, Senator, I think part of the problem or part of the perception at the time was that if the Secretary of State and the Secretary of Defense and the then acting Director of Central Intelligence, Mr. McMahon, could not get the President to change his mind and see that this was a mistake in policy, that anyone was unlikely to get him to change his mind.

Senator METZENBAUM. In your confirmation hearings as Deputy Director, in response to a question from Senator Leahy, you gave this Committee your assurance you would correct testimony that had been given us on matters that came within our jurisdiction. You pledged you would correct the record, "If you were aware that others in the CIA, whether the Director of the CIA or anybody else had given us misinformation, either intentionally or negligently." At the same hearings you gave written testimony stating you were obligated, "To report in a timely fashion to the Intelligence Committee any illegal intelligence activity or significant intelligence failure."

The question is, Mr. Gates, how could you make such assurances and omit any mention that the CIA had engaged in covert action the previous November without a Presidential Finding? Did you not consider this a matter that came within our jurisdiction and was illegal?

Mr. GATES. Senator, I felt that the—to the degree I had any knowledge of the November 1985 flight, it was that—the guidance that I had was that those at the time had, as I indicated earlier, when they made the decision and on the basis of the information that they had had, that that was not an illegal act. It was only in the view of someone like Mr. McMahon who had much broader knowledge of what was anticipated that he felt that the Finding was necessary. But I don't believe that I misled the Committee in that respect.

Senator METZENBAUM. People who worked with the CIA proprietary airline that supported the November 1985 arms shipment said that this was the only time they were ever directed by the CIA headquarters to take on a supposedly commercial flight. It was clearly an unusual event.

Wasn't it much more than merely "providing the name of the airline for this commercial transaction," as you phrased it in your 1987 testimony, and, I am not sure, but I think you may have phrased it in similar words just now.

Mr. GATES. I think, Senator, that's because my impression had been up until the passage that you have just read that the name of the proprietary had simply been given to the people involved. I was not aware that CIA had actually directed them to undertake the mission.

Senator METZENBAUM. You didn't know that the CIA had been the directing force?

Mr. GATES. No sir, I don't think so. I knew that we had provided the name. Again, these events took place when I was Deputy Director for Intelligence and this was all totally outside of my area of responsibility.

Senator METZENBAUM. Do you still think it was legal for the CIA to direct its operations officers overseas to use their special contacts to secure landing and transit rights for that flight without a Finding? And what about their using their contacts to get landing and transit rights for an Israeli flight, as they tried to do before the CIA proprietary was used?

Mr. GATES. Well, I am not certain about the propriety of that, Senator. My view is the same as Mr. McMahon's now that I have had a chance to review it all and this has been my view really



since the 1987 confirmation hearings, and that is that there should have been a Finding for that activity. And in fact I believe the record will show that I testified in February that I gave a direction as Acting Director that the proprietary managers should assume that any request from the Agency or part of the government for their support henceforth should be assumed to require a Finding. And if it didn't, then we would approach that later. But the going in position for the proprietary would be that any request that came out of the government or the Agency for support, they should assume from the beginning would require a Finding. And I saw to a change in the rules to that effect.

Senator METZENBAUM. Wasn't it Judge Sporkin, who was the CIA General Counsel in November 1985, who later testified that he believed that a Presidential Finding was indeed required, but that the retroactive finding signed in December 1985 made the CIA's November 1985 activities legal? Furthermore, the Hughes-Ryan amendment to the Foreign Assistance Act of 1961 banned such activities without a Finding. As I gathered from your answer, you are now saying that you do believe that a Finding was required for the November 1985 CIA involvement.

Mr. GATES. Well, sir, as I've looked back on it, what I am saying is that I believe that if one had the knowledge that Mr. McMahon had about the fact that that flight was part of a larger program, then I certainly agreed with his judgment at the time that a Finding was required.

Senator METZENBAUM. You were given a written questionnaire in preparation for today's confirmation hearings. In one question you were asked how you might have responded to an inquiry about covert action Findings not reported to the Committee. In other words, you were being asked what would have been your response if a Member of the panel had known to inquire whether the Agency had withheld any Findings from the Intelligence Committee. You wrote in response to the Committee's written questionnaire, "This question is difficult to answer in the abstract, but I believe that I would have said that having not been formally informed of clandestine operations as DDI, I would have to check with Mr. Casey. I would not have misled the Committee."

In other words, you are saying you would have deferred to your superior. Mr. Casey. But Mr. Gates, you gave this answer on June 28, 1991, just a few months ago, four and a half years after the Iran-Contra fiasco finally came to life. Your sworn answer was that you would not have misled the Committee. But as a matter of fact, you would have been misleading us. You still would not have told us that a Finding had been withheld from the Committee, even though you knew that to be the fact. You are telling us that you would have checked with Mr. Casey. Even at this late date, you are saying that you are not obligated to tell this Committee you knew about the existence of undisclosed covert action Findings, even when testifying under oath.

Do you really believe that playing such a game, it might be called gamesmanship, or saying you don't have to tell us, that you would have checked with Mr. Casey, don't you think that that would be ducking the facts or ducking the need to answer the questionnaire of this Committee?

Mr. GATES. Senator, what I was trying to convey in that answer was that if I had been asked that question, I would have said I had to check back with Mr. Casey because it would have given me an opportunity to tell Mr. Casey that I could not not tell the Committee. I was under a Presidential edict not to inform the Committee at a time when I was appearing before the Committee under oath.

The way I would have tried to reconcile that dilemma would have been to go back and say—would in effect have been to defer an answer until I could go back and tell them that I could not in good faith not inform the Committee under those circumstances. And that's what I've testified to here earlier today, that I would not under any circumstances mislead this Committee.

Senator METZENBAUM. You're saying you wouldn't mislead the Committee, but you're saying you wouldn't tell them the facts. You're saying I've got to check with someone else, even though you knew the facts.

Senator RUDMAN. Excuse me. Would my friend from Ohio just yield for a comment or a question because I have been following this closely. I think it is something the Committee should have in front of it if we're going to continue this line of questioning—with the Senator's permission.

Senator METZENBAUM. Sure.

Senator RUDMAN. The law that was applicable at the time which Mr. Gates has referred to now three times says, under Congressional oversight, amongst all of the notifications of which the Senator is very aware—more aware of than I, having served on this Committee longer than I have—but it says, "The President shall fully inform the Intelligence Committees in a timely fashion of intelligence operations in foreign countries other than activities solely for obtaining necessary intelligence for which prior notice was not given under subsection A," which is what the Senator is talking about, "and shall provide a statement of the reasons for not giving prior notice."

Now that was the operative law at the time. Whether we like it or not, the President of the United States had the right—I think he was dead wrong, and I've said so—had the right not to notify Congress. Mr. Gates was an Executive Department employee who had the absolute obligation to follow the Commander in Chief's orders. So I don't know what we're quite talking about here. That's my interruption, I thank the Senator.

Senator METZENBAUM. As I understand what my friend from New Hampshire is saying, it is that the President said that the officers of the CIA were not to reveal the facts, or not to advise Congress.

Senator RUDMAN. Of the Finding.

Senator METZENBAUM. Yes. But that does not mean, and I would think you would agree with me, that if a Congressional Committee is specifically asking a question as we're doing four and a half years after the fact, that the CIA Director may refuse to answer and state the facts.

Senator RUDMAN. Well, I don't know that those are the facts of Mr. Gates' appearance at that time. I've read the same transcript. I've a good recollection of that, and I do not think a fair reading of



that transcript could indicate that this witness misrepresented it in any way, shape or manner. He was never asked.

Senator METZENBAUM. Do you understand that I was asking him about his response to the Committee questionnaire? It "is difficult to answer in the abstract, but I believe I would have said that having not been fully informed of the clandestine operations as DDI, I would have to check with Mr. Casey. I would not have misled the Committee."

Senator RUDMAN. And I think that followed—I would say to my friend from Ohio—from the previous line of questioning. I think Mr. Gates as an Executive Department employee, was fully within his rights to answer the question that way. I think he has been forthright with this Committee in his answer to Senator Nunn. I have requested a transcript of his answer to Senator Nunn. I think it's extraordinary what this witness has said as to what he is willing to do in order to protect the integrity of the Agency, and he has said that under oath today. I don't think it's in any way inconsistent. I thank my friend from Ohio. I don't want to interrupt his questioning.

I thank you.

Senator BOREN. Let me ask one question here. Going back to what was said to Senator Nunn and this goes to a question not—I understand the Senator from Ohio is asking about the question in our interrogatories of what he would have said at the time four or five years ago if he'd been asked that question.

As I understood your answer, and I want to make sure that I am clear about that, because it's a very important matter and it touches on the same subject matter that Senator Metzenbaum was asking about, as I understood the question of Senator Nunn this afternoon, let me just ask again how I understood it, that if the President of the United States—let us suppose you were confirmed to be Director of Central Intelligence and if the President of the United States ordered you to withhold notice from the Congressional Committees of a finding, and if this withholding went beyond a reasonable time, as we know the commitment of this President in writing and in various Executives Orders to this Committee is that he would notify within a few days, that you would make the case continuously to the President that the Committees should be briefed and that before you would come before the Committees and mislead the Committee about the existence of such a Finding if the President continued to order you to withhold it, that you would resign.

Is that a correct reading of what you said—

Mr. GATES. That's correct.

Chairman BOREN [continuing]. Earlier today?

Mr. GATES. Yes sir.

Chairman BOREN. And it touches on the very point that you're making.

Senator METZENBAUM. That's correct. That is a different answer than the answer that he gave to the Committee's questionnaire, as I see it.

Mr. GATES. Senator, I would just say that the question was put to me in the context of if I had been asked that question in April of 1986, how would I have responded? And that is how—I tried to

answer the question honestly in terms of being confronted without any prior preparation of how I would reconcile a direction from the President not to notify and a situation where I was under oath.

What I was trying to say was that in effect I would try to defer an answer until I could go back and say I cannot—I cannot mislead this Committee, and therefore I must go back before the Committee and say that the President has directed me not to answer the question or perhaps that I shouldn't be Deputy Director.

Senator METZENBAUM. I would say to my friend from New Hampshire that I believe the answer to Senator Nunn's question would have been a more appropriate answer to the Committee's questionnaire.

Senator RUDMAN. I think Senator Nunn phrased his question—

Senator METZENBAUM. Pardon?

Senator RUDMAN. I think Senator Nunn phrased his question better than that question in that questionnaire. I think if you phrased it that way you would have gotten the same answer.

But you know, I've always said, as I'm sure my friend from Ohio knows, the best evidence is the clearest evidence. This witness has told us under oath what he would do under the circumstances, and you know, I accept that.

Senator CHAFEE. Well, Mr. Chairman if I understand what the witness has said, see if I'm mistaken, somebody correct me, he said that in a situation like this he would in effect take a break from the Committee and say, look, I want to go back and discuss this with my superior. Which I think is the right thing to do. To tip-off whoever his boss is and say look, you come clean on this or I'm going to, and then he indicated he'd go—the provision was he would go back to the Committee following that. Is that the way I understood it?

Mr. GATES. Yes sir.

Senator CHAFEE. So I don't know what the Senator from Ohio—everybody always says my friend from Ohio. My friend from Ohio said—

[General Laughter.]

Senator METZENBAUM. That's a new one.

Senator CHAFEE. I don't know what he's so excited about. The witness has made it very clear and I think quite rightly that he owes it to his boss to go back and tip the boss off on what's going on. And if the boss refuses to do something about it that's his business.

Chairman BOREN. The Chair is going to rule that this is beginning to get into debate, and as friendly as it is, I do want the Senator from Ohio to continue his line of questioning.

Senator METZENBAUM. Thank you very much. I thought we were going to have a continued dialogue in the Committee.

Mr. Gates, you supervised the first several drafts of Director Casey's testimony to the Committee which he gave November 21, 1986. Casey made no mention of the December 5, 1985, Finding of which Congress still had not been advised.

You have spoken to this subject previously and I'm aware of that, and I listened to that testimony. But in fact, that omission led to the Finding being secretly destroyed by Admiral Poindexter that

same day. Nor did Casey's testimony include any indication that the CIA had been informed of suspicions of a diversion for about five weeks.

You participated in misleading Congress by not insisting that Casey tell us everything. You failed to prevent further impropriety which occurred when Poindexter destroyed the first Finding. You were woefully ignorant, it seems, in not insisting that the NSC people at testimony preparation meetings state frankly what their role had been in helping and funding the Contras.

You spoke on this subject earlier today and you indicated that you didn't read the testimony afterward and that you left town, but you were present at the meetings that occurred prior to the testimony being presented. My question to you is, why didn't you insist when the testimony was being prepared that there be full disclosure and that the facts be stated openly as to what the role of the NSC had been in helping and funding the Contras?

Mr. GATES. First of all Senator, in the Monday meeting with CIA staff, I think it's clear in the record that I said that it was terribly important that the testimony be as full and complete as we could possibly make it. And I think that the interviews that this Committee has had with those who participated in the preparation of that testimony, attest to the fact that I continued that view throughout the week.

I would not—I did not and would not have asked the question about the Contras, Senator because we were confronting a foreign policy problem that affected only Iran during that period. The revelation of the arms for hostages policy was what was foremost in everyone's mind. The whole discussion that week was in terms of finding out the facts about the sale of weapons to Iran and how much they had cost and who had known what or when about the deliveries and so on.

So the whole focus that week of what we knew and of what we were trying to find out really had to do with the basic facts of CIA's role in the sale of those weapons to Iran. And the issue of the Contras never arose. And frankly, I've testified today earlier in response to questions from the Chairman and before that the speculation that Mr. Allen had brought to me, I had not received new information or additional information, and frankly it was, and I think now in retrospect, mistakenly overshadowed by the foreign policy catastrophe that the government was trying to deal with at that time and that was solely the focus of our attention.

Now as to the December Finding, as I testified earlier in response to the Chairman, I had no independent recollection of the December 5th Finding or the meeting that I had had, that several of us had had with Mr. McMahon on the 5th of December. There was a lot of discussion about the December 5 Finding, but there was enormous uncertainty about whether the darned thing had ever been signed or not. And in fact, it turns out that both the Inspector General report and the Tower Commission, as late as January 1987, weren't sure whether that Finding had ever been signed.

So I think those who had been involved or who had seen it perhaps thought of it as being part of the process leading to the January 17th Finding. In any event I don't recall, and I don't think anyone that the Committee has interviewed recalls anyone stating

in my presence that there ought to be—that that ought to be written up in the testimony. Now maybe that is the case, but I don't recall it.

Senator METZENBAUM. Well, as I recollect your earlier testimony, you were first given the responsibility to help prepare Mr. Casey's testimony. Am I correct in my recollection of that?

Mr. GATES. Senator, I think I stated that in February of 1987, I think that was perhaps overstating it somewhat. Mr. Casey left me a memorandum that stated that he wanted a number of things pulled together for him to review prior to giving his testimony. It included the transcripts of what some people had said on the Sunday talk shows. It included some reports on terrorism by Iran and Lebanon and Syria and so on. Some various pieces of information like that. I took the lead in gathering people on Monday to get somebody started on getting something drafted for Mr. Casey to get the information pulled together. And when he returned on Wednesday, he basically took charge again with others in the Agency of his own testimony. But others were working by and large independently during that time trying to get these facts together.

Senator METZENBAUM. Is my recollection wrong? I don't have a note on it, but my recollection was that at one point in your testimony at some point you had indicated that Mr. Casey had asked you to take charge of getting the testimony ready. Am I incorrect in that?

Mr. GATES. I don't remember the exact expression that I used, but I don't know if that was the case Senator.

Senator METZENBAUM. It was something like that, something to that effect.

Mr. GATES. He certainly sent me that memorandum implying that he wanted me to start assigning responsibilities in getting the work done, yes sir.

Senator METZENBAUM. Well, then later on you told the Iran-Contra Committee that at a November 19th meeting at CIA headquarters with a number of CIA senior staff to draft the Director's testimony, there were holes in the story. You testified to the Iran-Contra Committee the following: "The general counsel, Mr. Dohererty, said that it appeared that some of the facts involved were getting shakier rather than better as we were going along. He indicated that some of the information was getting shaky." Now in a biography of Casey written by Joseph Persico, you are quoted as describing the preparation of Casey's testimony on November 20th, the day before he was to appear: quote, "It was a madhouse and the facts were getting foggier and foggier as more and more qualifications were heaped on to make the damned statement correct." In fact, as we now know, his testimony was not correct. An early draft included the false statement that no one in the US government knew what was in the CIA proprietary airline's cargo from Tel Aviv to Tehran on November 25th, 1985.

Another draft tried to float the story that it was believed the shipment was oil drilling equipment, instead of HAWK missiles from Israel to Iran.

Another draft said nobody in the CIA knew what the cargo was.

Finally, his testimony deleted any mention of the shipment altogether. This was the shipment that necessitated drafting the December 5th, 1985 retroactive secret Finding. Of course, disclosure of the existence of the Finding was omitted from the testimony as well.

My question is, why didn't you insist on telling Congress the whole truth about what were the facts concerning the shipment and concerning anything else you knew? Now you were in on early versions I know, and I know you weren't in on last-minute changes or changes Mr. Casey made in his car on the way to the hearing or, I guess, the last draft that Casey got the night before. But didn't you feel a sense of responsibility, having been assigned this job to prepare the testimony, either to see to the last-minute changes, or after the fact, at the very minimum, to go back and read them and see if there were any misstatements made or omissions?

Mr. GATES. Senator, again as I testified earlier today, the controversy—most of the controversy about the testimony concerned events about which I had little or no direct knowledge and in many cases, even indirect knowledge. When Mr. Casey returned, I essentially let go responsibility for the testimony, although I did accompany him the next day, because of the dispute over one factual item, to the meeting with Admiral Poindexter. But, the problem that Mr. Doherty brought to me was in fact that we weren't sure what the facts were and we were having a tough time getting what the facts were. And it was in response to that that I insisted that the expression be included in the testimony that we were still doing research and that we would be back to the Committee with more information when we found it.

I think that certainly the impression that I had at the time was that the sentence about who knew what about the November shipment was taken out simply because they could never reach agreement on what the facts were in the very brief period of time that was available to us. You had some people saying that, well, they told us all along it was oil field drilling equipment. You had other people saying well certainly the captain—the pilot of the airplane knew what was on it. You had a chief of station who may have known what was on it. So the impression that I have and I think the impression that others who have been interviewed by the Committee had, was one of considerable confusion about what the facts really were. And I think that there was a concern to avoid misstating those facts. I think that is why Judge Sofaer got into the act, and Assistant Attorney General Cooper, and Mr. Doherty and others, and I think that it was out of frustration with trying to figure out what that was that late on that Thursday night Mr. Casey struck the sentence altogether.

Now, that's what I have been able to put together based on the accounts of others.

Senator METZENBAUM. Have you never gone back and read Mr. Casey's statement?

Mr. GATES. I am sorry, Senator?

Senator METZENBAUM. Have you never gone back and read Mr. Casey's statement, even today?

Mr. GATES. Oh, yes sir, I have.

Senator METZENBAUM. You have. And now you know that Casey lied under questioning about the shipment. Even though CIA analyst Charlie Allen had seen evidence the plane carried arms, and the December 5th retroactive finding drafted by CIA General Counsel Sporkin spoke of the sale of munitions, when Senator Leahy asked Director Casey if the CIA knew what was on the aircraft at the time it was flown, Casey answered Senator Leahy that the CIA did not know until the Iranians told them sometime in January.

Now, when you were asked about inaccuracies that later came to light regarding Casey's November 21st, 1986 testimony, you testified that you never read the transcript of his statement. Now could you tell me: when did you read it?

Mr. GATES. I have only read the portions of the transcript of the question and answer session, Senator, that were excerpted for the interrogatories in preparation for this hearing.

Senator METZENBAUM. I thought you just answered a minute ago, "Oh, yes, I have read it."

Mr. GATES. No, sir, you asked me if I had read Mr. Casey's statement—

Senator METZENBAUM. Yes.

Mr. GATES [continuing]. And I said yes. What I have not read was the exchange between Mr. Casey and the Senators.

Chairman BOREN. Let me ask one follow-up question on that. You have read Mr. Casey's statement. And I believe in questioning—in answer to questions that I asked you and that Senator Nunn asked you this afternoon, you said that there were differences between that statement and the draft that you had last worked on. You then went home that evening, and Mr. Casey made some additional revisions and came back and delivered the testimony the next day.

Mr. GATES. Yes sir.

Chairman BOREN. You said when you looked at the testimony actually given by Mr. Casey the next day, or as you have since reviewed it, compared to the last draft which you saw before you went home that evening, there were some things added and some things taken out. Is that correct?

Mr. GATES. Yes sir.

Chairman BOREN. And the question that I am not sure that I heard the answer to this afternoon, and I think Senator Metz-enbaum is asking again, was when did you next read the actual statement that Mr. Casey gave? In other words, obviously at some point in time you have read that statement, you have compared it to the last draft as you remembered it in that meeting before you went home that night. When did you finally—was it the next day, was it the next week, was it some months later when you actually read Mr. Casey's actual testimony to the Congress?

Mr. GATES. I don't remember precisely, Senator. It could have been that Friday afternoon. It could have been several days later.

Chairman BOREN. I guess the question I come back to is the question that Senator Metzenbaum has asked you in a different way is since you had been in these meetings and since you had had discussions, why you didn't feel an instant curiosity to go back and find out what Mr. Casey had actually said? You had wanted to make it as accurate as possible, and obviously there were a lot of inaccura-



cies in the way he gave it. Why wouldn't you have wanted to go back, look at it as quickly as possible and see if there were things that needed to be corrected in it as given to the Committees?

Mr. GATES. Senator, I assumed that the testimony that he was about to give was just the first step in an interactive process, that there would be repeated testimonies and repeated opportunities to add the facts as we learned them. I don't remember actually making a textual analysis of the last version that I saw and the version that he actually delivered, in all honesty, until preparing for this hearing.

And the fact of the matter is that by the time that I returned from California, Attorney General Meese had made his announcement and it was a whole new ballgame in terms of the additional investigative work that needed to be done by the Agency and additional information that needed to be made public.

Senator RUDMAN. Mr. Chairman, if I could have 30 seconds?

Chairman BOREN. You will be on Senator Metzenbaum's time. Is that agreeable to Senator Metzenbaum?

Senator RUDMAN. I just think in fairness to Mr. Casey and his family—Mr. Casey is not here to defend himself—I think that the record should show that this witness has no idea now as to what Mr. Casey knew or didn't know. So to ask this witness about what Mr. Casey knew about the accuracy of that statement I just don't think is a help. And number two, I would point out to my friend from Ohio that it may have been a slip of the tongue, but we cannot say here today that Mr. Casey lied to the Committee. All we can say is that subsequent facts indicate that the testimony that he presented was grossly inaccurate. But we do not know that when he presented it, he knew it was inaccurate. And the Iran-Contra Committee could not settle that. So in fairness to Mr. Casey, to accuse him of a lie, based on the fact that the information was incorrect, I think—my friend from Ohio would agree is probably unfair.

Senator METZENBAUM. I would accept that clarification, but having said that, wouldn't my friend from New Hampshire say that if it's gross misrepresentation of facts, it doesn't have to be deliberate in order to be a lie? You don't have to intend to lie in order to lie. If he grossly misrepresented the facts, by definition I would think that that's a lie, but maybe I didn't check the dictionary.

Senator RUDMAN. Well, I would say to the Chairman and to the Senator from Ohio that under a normal perjury count—which is a legal lie—if you present a fact that you believe to be true and have evidence that it is true, but it is found to be untrue, you are not guilty of perjury. And I just don't think we should sit here and accuse Bill Casey of lying because we don't know.

And by the way, I was not a friend of Mr. Casey's. I met him twice in my life, but I think since he's gone, and he has a family left, we ought not to berate him based on facts that the Iran-Contra Committee—with all of its staff, with all of its millions of dollars, with all of its high priced counsel—to this day could not prove what he knew and what he didn't know.

And I dare say, Senator Metzenbaum, we are not going to find out tonight.

Senator METZENBAUM. It's pretty difficult to find out when he's buried and gone. So I guess we can't find that out very well.

Chairman BOREN. Let me ask, Senator Metzenbaum, if you'd let me rephrase the question. I wan't implying as to whether or not it was wrong—perhaps it was stated whether or not he knew Mr. Casey had lied or whatever—I'm talking about the accuracy of the testimony.

My question is this; since you had been involved in at least briefing Mr. Casey on part of the preparation of this testimony and been in on meetings for the preparation of the testimony, why did you feel an obligation to go back and check the testimony after it was actually given to the Congress to determine the accuracy of it. Let's set aside the whole question of whether Mr. Casey knew he was giving inaccurate testimony or not.

It is obviously clear that there were some things actually said in the testimony to Congress that were not accurate and that had been the subject of some conversation during these meetings such as the question of the knowledge of what was on the December flight that I suppose was vague in his actual statement but it was not left vague in the answer to Senator Leahy's question.

What you're saying is you did not read the interchange with Senator Leahy until much later.

Mr. GATES. That's correct, Senator.

Chairman BOREN. My question is why didn't you feel at the time an obligation since you had been, in essence, briefing or preparing Mr. Casey for his testimony that day to go back and check it after it was actually delivered, including the question and answer session to see if Mr. Casey had indeed accurately informed the Committees?

Mr. GATES. Mr. Chairman, again, these events, the parts of the testimony that had been difficult and controversial, concerned events about which I had no direct knowledge and at the time had been Deputy Director for Intelligence, and I felt that I didn't have anything particular to add. I was not aware of any inaccuracies at that time, in his testimony.

Perhaps it was negligent of me not to go back and follow up but I did not.

Chairman BOREN. I'm sorry, Senator Metzenbaum, I didn't mean to impose on you.

Senator METZENBAUM. I wonder if, Senator Metzenbaum, I could just have a moment to point out that I think we're placing the burden on Mr. Gates when obviously it was Casey who testified. And Casey is obviously not here to enlighten us. As a consequence I think the real questions about the circumstances are very, very difficult to ascertain in view of the fact that the testimony was Casey's.

Chairman BOREN. Let us return to Senator Metzenbaum. We won't count this against your time.

Senator METZENBAUM. I'm very pleased that we've been able to engage each of the Members in the discussion. Senator Cranston, you've been remiss in not—

- [General Laughter.]

Senator METZENBAUM. One or two others—I didn't see John over there.



All right.

Mr. Gates, in February 1987, Senator Specter asked you why you had omitted from Director Casey's testimony the fact that the CIA had engaged in covert action support during November 1985 without a Presidential Finding. You responded as follows: "Well sir, not having been aware of the details surrounding that flight and the preparation of the Finding subsequent to it for prospective activities, I was in no position to know that something significant was being left out of the testimony and that's all I can tell you."

The fact is, you were at a meeting on December 5, 1985, where the fact of the CIA support for the flight was noted. At that meeting you heard somebody tell then-Deputy Director McMahon that a Presidential Finding had finally been signed. While you were supervising the preparation of Director Casey's testimony the following November, the CIA officers who worked on that initial Finding printed out a text of the original CIA draft and gave it to Mr. Doherty, the CIA General Counsel, who then informed you of it.

So wasn't it misleading for you to testify to Senator Specter's question that you were in no position to know that something significant was being left out of the testimony?

Mr. GATES. Senator, as I indicated earlier, I think most people in CIA did not know that that Finding had ever been signed until Admiral Poindexter described it in his testimony that summer, in July of 1987.

To the best of my knowledge, at the time when I was being prepared for my February confirmation hearings, we were still in a situation where the Inspector General and others could not conclude that that Finding had ever been signed. In fact, the general view in the Agency was that it had not been signed.

The other thing that I testified to at that time was the fact—and perhaps they had taken too narrow a view of it, perhaps—but I had been advised at that time by the General Counsel, by the General Counsel's office at the Agency that the Finding—that a Finding had not been needed for that November activity. And I stuck to that position during those confirmation hearings based on the advice that I was getting from the General Counsel's office.

So between their telling me that no Finding had been needed in the first place, the general view in the Agency that no Finding had in fact ever been signed before January 1986 at the time of February 1987 hearings, I think that the statement that I made was not at that time misleading.

Senator METZENBAUM. Even if it hadn't been signed, wasn't it significant?

Mr. GATES. Well sir, I think that—I guess that's a judgment matter and the general view, as I recall at that time was that it must have just been part of a process that led to the January 1986 Finding. And the general view was that it was not.

Senator METZENBAUM. Mr. Gates, did you sit in on a meeting several days before Mr. Casey's testimony while the Director, Casey, came under pressure from Poindexter urging him to lie as Poindexter was planning to do?

Mr. GATES. No sir.

Senator METZENBAUM. Do you have any recollection of being present at a meeting where any discussion at all of the testimony that Poindexter was going to give to the Committee was discussed?

Mr. GATES. That Poindexter was going to give? Certainly none that indicated that misleading information would be given.

Senator METZENBAUM. You don't have any recollection of that at all?

Mr. GATES. No sir. None of any discussion of giving misleading information.

Senator METZENBAUM. After Attorney General Meese disclosed publicly that proceeds from arms transactions had been deposited in bank accounts under control of the Contras, Allen Fiers testified on November 25, 1986, that Meese's statement was the first knowledge that Mr. Fiers had of the diversion. We recently learned that Mr. Fiers lied about the time and place he learned of the diversion. But Mr. Fiers' statement on behalf of the Agency was also inaccurate. Mr. Fiers also said speaking for the CIA, "The Agency was in the same boat and the first I heard of it was on CNN today. And that is the first that I know that the Agency knew of it."

He also said, "Everybody I talked to in the Agency, and that goes over time, I'm fairly confident didn't know what was going on. I certainly know that the people below me and immediately above me didn't." Now the Agency at that point knew much more than Fiers claimed it did. Indeed, Charlie Allen had written you a memo and talked to you and the Director about a possible diversion over a month earlier.

Why did you not correct the record to the Intelligence Committees, as you had promised Senator Leahy you would, after you had heard of Mr. Fiers' testimony?

Mr. GATES. I don't think I was aware of Mr. Fiers' testimony to that effect and we were in the process of a—as I indicated, once the Attorney General made his announcement on the 25th of November, clearly we had to go back to the drawing board and that there would be additional testimony in which the record would be cleared. And I believe that in subsequent testimonies the record be corrected or at least added to. And I believe the record shows that that in fact happened.

Senator METZENBAUM. Mr. Fiers gave this false testimony on the very day this disastrous intelligence fiasco was disclosed to the people of this country by the Attorney General. Fiers told this Committee that until November 25, 1985, the CIA knew no more about diversion of profits from Iran to the Contras than the fellow who delivers my mail. Either you failed to make an effort to inform yourself as to what your own people were telling Congress, or—what else? What are the facts?

Mr. GATES. Senator, unless someone brings to my attention the fact that someone several layers down in the Agency has testified as to certain facts, it would not come to my attention. CIA gives something over 1,000 briefings and testimonies every year to the Congress. And unless somebody came to me and said somebody had given misleading testimony, I would not be aware of it.

Senator METZENBAUM. You did not know of Mr. Fiers testimony to that effect?

Mr. GATES. No sir, I don't believe so.

Senator METZENBAUM. Never heard of it?

Mr. GATES. I don't believe so. No sir.

Senator METZENBAUM. In April 1987 you testified that after Bud McFarlane returned from Tehran at the end of May 1986, "The project from our standpoint at least entered a fairly quiescent stage and there really wasn't much more going on until Mr. Allen came to me on the first of October."

During this period, Ollie North tried to get the CIA to concoct a fake price list for the HAWK missile parts. During this period, the CIA was involved in more arms shipments, another hostage was released and still more American hostages were taken in Lebanon. You say that this was a fairly quiescent stage. My question is, how much more would you have needed to make it an active stage?

Mr. GATES. Senator, what I think that I had in mind is that from the time of Mr. McFarlane's mission until the 1st of October, I think that Mr. Allen came to see me only once and I think that was on the 3rd of July to update me and tell me about the efforts underway to secure the release, I think, of Father Jenco.

I guess that my reference was in the context of McFarlane's trip and so on. I think in retrospect it was at least understatement.

Senator METZENBAUM. On September 8, 1986, Ollie North wrote a memo to Admiral Poindexter stating that the CIA supported a Ghorbanifar proposal for sequential arms deliveries and hostage releases. On the same day, a North notebook entry for 8 September 1986 reflects a call at 1500 from "Charlie," apparently Charlie Allen, with the reference "Casey to call JWP," I guess that's Poindexter. Then there is another, "Gates supportive." "K," I guess that's Ghorbanifar's contract in Iran, "K calls to Geo," I think that's George Cave, the retired CIA officer attached to the Iran talks, "four times Saturday, two times today." You were asked about this and replied, "I have not reviewed Lieutenant Colonel North's notebooks. And I do not know the meaning of the entry." But it looks like Charlie Allen telling North that you, too, supported using Ghorbanifar.

And Charlie Allen had met with you on August 28th and September 5th, so the two of you had ample opportunity to discuss this.

And my question to you is, regarding this reference in North's notebook in which he talks about "Gates supportive," were you aware of that?

Mr. GATES. I am aware of it, Senator, yes sir.

Senator METZENBAUM. Were you aware of it prior to this series of hearings?

Mr. GATES. I may have been in the context of all the revelations associated with Iran-Contra. Yes sir.

Senator METZENBAUM. And do you agree that he says in this that the CIA supported a Ghorbanifar proposal for sequential arms deliveries and hostage releases?

Is that what he is saying that you were supportive of?

Mr. GATES. I have no idea what he is referring to, Senator.

Senator METZENBAUM. Did you ever try to find out?

Mr. GATES. No sir, I didn't.

Senator METZENBAUM. Well, you know that it follows an Ollie North memo to Admiral Poindexter stating that the CIA supported

a Ghorbanifar proposal for sequential arms deliveries and hostages releases. And the same day, the North notebook entry for 8 September reflected a call at 1500 from Charlie with the references "Casey to call Poindexter, Gates supportive." And Ghorbanifar's calls to George "four times Saturday, two times today."

You don't think that that indicates that he is saying that you are supportive of the sequential arms deliveries and hostage releases?

Mr. GATES. Again, Senator, I just don't have any idea what his entries mean.

Senator METZENBAUM. When you were first nominated to be Director in 1987, this Committee sent you some questions to answer. Your reply to a question on your qualifications for office strikes me as having been rather disingenuous. Let me quote from that reply. "During my tenure as Deputy Director for Intelligence, I encouraged the establishment of a new covert action review system within the CIA under which covert action proposals are reviewed by the Deputy Director for Intelligence and by appropriate experts in the Intelligence Directorate to validate premises underlying the proposal, assess the risk involved, and suggest ways to make proposed activities more effective. During this same period, I sat as a member of the three person CIA panel, that is, the Executive Director, the Inspector General, and the Deputy Director for Intelligence, which semiannually reviews all CIA covert action proposals for compliance with the rules and laws, quality of management and makes judgments about the efficacy of each operation."

You went on to say, "From March 1981, I have served as a close advisor to the Director of Central Intelligence, not only in analysis and estimates, but in every aspect of intelligence policy including covert action."

Frankly, wasn't it misleading for you to praise your establishment of a new system for reviewing covert action proposals when that system was actually completely ignored in the preparation of Findings in the Iran arms sales? And wasn't it even more misleading in light of the fact that you never even protested about the circumvention of that very system that you had put in place?

Mr. GATES. Senator, I've testified on several occasions that the circumvention of that system was one of the major mistakes that CIA made during Iran-Contra.

It is clear that had the system—well, CIA made a number of mistakes during that time. We played by ground rules that somebody else made. We allowed somebody else to impose a compartmentation on us that was not even of our own making. We carried out covert actions or participation in a covert action without even having a copy of the Finding. So there were a number of mistakes made in connection with Iran-Contra. And the only thing that I can say to you, Senator, is that this whole affair was up and running and well underway for a number of months before I became Deputy Director.

I think that the mistakes that were made in Iran-Contra underscore the importance of the involvement of the DI and the Directorate of Intelligence and other elements of the Agency—not make a mockery of it.

Senator METZENBAUM. I think the Chair wants to close down shortly. So here is my last question.

Wasn't it also misleading for you to cite your membership in a three-person covert action review committee that, in fact, never reviewed the quality, efficacy or legality of the Iran arms sales program, again, without your ever protesting about this?

Mr. GATES. Senator, I probably should have said more about the fact that this Finding and our involvement in it from January 1986 bypassed all of the safeguards and all of the systems that we had in place in CIA at that time to process covert actions. The fact that the Directorate of Intelligence was not involved in reviewing it and so on.

That said, I would only say that I think it is a reflection of the mistakes that were made and underscores the importance of sticking to the rules and to the system that we have created. But again I would just reiterate for you and for the record that the decision to go along with that kind of approach was made by the Director long before I became Deputy Director.

Senator METZENBAUM. Mr. Chairman, I will be prepared to go forward whatever time you want in the morning.

Chairman BOREN. All right. Would it be all right with you if we started at 9:00 o'clock in the morning.

Senator RUDMAN. Mr. Chairman?

Chairman BOREN. Senator Rudman.

Senator RUDMAN. I'd like thirty seconds, just to keep the record complete. A careful analysis of the Iran-Contra hearing transcripts will indicate that there were a number of PROF notes which under examination Colonel North admitted were not accurate.

Chairman BOREN. There were a number of PROF notes that Colonel North admitted were inaccurate.

Senator METZENBAUM. What kind of notes?

Senator RUDMAN. His diary and PROF notes and so forth that were not accurate. And I would be happy to refer the Senator to the page and chapter of those instances.

Senator METZENBAUM. Would you agree probably that normally a person puts into his notebook accurate notes?

Senator RUDMAN. No absolutely not, Senator Metzenbaum. That's the world you and I live in. But that's not the world that some of those folks lived in. I learned that.

Senator METZENBAUM. I want Senator Rudman as the next witness. I have some questions for him. [General Laughter.]

Senator RUDMAN. I would be delighted, Senator Metzenbaum.

Chairman BOREN. I think some of the liveliest cross examination we've had has been between the two of you thus far.

Senator MURKOWSKI. Mr. Chairman, I wonder if you would excuse me tomorrow for about twenty minutes. I have to open an Alaskan exhibit in the Rotunda at 9:00 o'clock and I will be here about 9:20.

Chairman BOREN. Well, should we take this under advisement?

Senator MURKOWSKI. You might want to look in your notes to see—

Chairman BOREN. There are those that are claiming that when I say 9:00 o'clock Oklahoma time, that might mean a little after 9:00 o'clock anyway. But that is a vicious rumor. We will start on time at 9:00 o'clock with Senator Metzenbaum to continue with his questioning and complete his questioning whenever he reaches that

point. And then after Senator Metzenbaum completes, we do need to send notice to Senator D'Amato because he will then be next followed by Senator Bradley.

I appreciate the cooperation of all Members of the Committee and the staff and also certainly appreciate the cooperation of the nominee. I know it has been a long day and we appreciate your patience in remaining with us for the night session.

Senator METZENBAUM. Mr. Chairman, I think you ought to ask the witness whether or not that is convenient for him. It's been a long day for him. If he needs a little more than—

Chairman BOREN. I thank this display of mercy from Senator Metzenbaum, let me direct that question to the nominee.

Is 9:00 o'clock too early for you to begin or would you like to be in a little later than that?

Mr. GATES. I am at the disposal of the Committee.

Chairman BOREN. Is that all right with you to start at 9:00 o'clock.

Mr. GATES. Yes sir.

Chairman BOREN. We will stand at recess until 9:00 o'clock in the morning.

[Thereupon, at 9:03 o'clock p.m., the Committee stood in recess.]

## NOMINATION OF ROBERT M. GATES TO BE DIRECTOR OF CENTRAL INTELLIGENCE

TUESDAY, SEPTEMBER 17, 1991

U.S. SENATE,  
SELECT COMMITTEE ON INTELLIGENCE,  
Washington, DC.

The Select Committee met, pursuant to notice, at 9:16 o'clock a.m., in Room SH-216, Hart Senate Office Building, the Honorable David L. Boren, Chairman of the Committee, presiding.

Present: Senators Boren, Nunn, Hollings, Bradley, Cranston, Metzenbaum, Murkowski, Warner, Danforth, Rudman, Gorton, Chafee and Cohen.

Also Present: George Tenet, Staff Director; John Moseman, Minority Staff Director; Britt Snider, Chief Counsel; and Kathleen McGhee, Chief Clerk.

Chairman BOREN. If we could clear the well, please, we will begin.

We resume again this morning the confirmation hearings on the nomination of Mr. Robert Gates by the President to be the Director of Central Intelligence.

Last evening we recessed while Senator Metzenbaum, the Senator from Ohio, was questioning the witness. We will continue with that questioning again this morning.

I will again for the record ask the nominee if he understands that he remains under oath.

Mr. GATES. Yes, sir.

Chairman BOREN. We will continue with those questions this morning for approximately an hour and a half.

Other Members of the panel have indicated to me that they also have some scheduling problems. So Senator Metzenbaum will go on for about an hour and a half at which time, if he has additional questions to ask, he will hold them until his normal rotation. Then Senator D'Amato will be the next questioner.

Staff members, please notify Senator D'Amato that he will follow Senator Metzenbaum at the end of that period.

We will simply see how far we can get with the testimony and the questioning of the nominee today.

As I have indicated we will not be in session past 5:00 this afternoon or tomorrow because of the observance of Yom Kippur. We will resume on Thursday morning at 9:30 with outside witnesses.

It will be necessary for us to proceed with these outside witnesses on Thursday because of their schedules. We will then re-evaluate where we are with the hearing schedule.



I will turn at this time to the Senator from Ohio to continue with his questioning.

Senator Metzenbaum.

Senator METZENBAUM. Thank you very much, Mr. Chairman.

Mr. Chairman, I want to welcome you, Mr. Gates, and welcome back my colleagues who attended last night's session.

I think last night's session sort of indicated to me that a number of, I guess the entire bank on the other side of the table had pretty much concluded this was, that the President wanted this appointee confirmed, that very strong substantive questions were not to be asked from that side of the aisle and that it was in the nature of a political confirmation.

It is a little bit disappointing because I do not believe that a hearing of this kind, a matter of this importance, should have a political overtone.

But for those who were not here last night and to set the stage for today's continuation of my questions—

Senator RUDMAN. Mr. Chairman, I just want to make a point of personal privilege here. I object to that statement from my good friend from Ohio.

I found the Senator from Ohio was factually incorrect on a number of presentations last evening, not only of the facts, but on the law. And when I find that, I am going to state that.

And I resent being told that I am sitting here as a political pawn of anybody because I am not, nor are my colleagues. I would not accuse the Senator from Ohio of that. And I would appreciate it if he would not do that to me.

Senator METZENBAUM. Well, Mr. Chairman, I think that Senator Rudman is really one of the finest Members we have in the United States Senate and he is a very good friend of mine. But I would appreciate if I might be permitted today to continue forth without being interrupted.

If he takes issue with what I say, certainly, at an appropriate time, I think that is fine.

Chairman BOREN. I know there are a lot of strong feelings about the issues before us, but I think there is also a lot of mutual respect among the Members. This is not a period of time for debate, let me say, on either side of the issue. It is a time for questioning.

I have said in the very beginning of this inquiry that we have not divided along party lines on any matter in this Committee since I have been Chairman. I do not expect that to happen now. I expect us to be, in our questions, to do our job thoroughly and fairly. That is exactly what we want to do.

I would suggest that we use this period as a question time. We will have plenty of time for debate as we go along.

We have been more or less allowing a question that someone wants to interject or a follow-on question, but I will try to keep us from getting into debate. I will ask the cooperation of Members of both sides not to enter into debate. I do believe that Members of this Committee all take their responsibilities seriously individually.

So let me ask the Senator from Ohio just to proceed with his questioning at this time.

Senator METZENBAUM. All right. I would like to summarize where I think we stand so far.



Mr. Gates, my questions last night were probing inconsistencies between what you said to Congressional Committees at various times regarding Iran-Contra and what was actually happening in your shop.

Those questions were necessary, I felt, because of your apparent inability to recall much at all about that time period. I was hoping to get some answers to the more than 70 important Iran-Contra questions posed to you by this Committee, for which you stated you could not remember what you did, or that you never knew what others around you were doing, or that you never sought to know what was happening all around you.

Frankly, Mr. Gates, one of the most difficult challenges that I am finding in connection with your confirmation relates to the fact that so much was happening at the CIA and around the CIA that you have pretty much indicated you did not know. You actually indicated that you did not want to know.

I was particularly interested how in many of those cases there was, in my view, something that was just hard to comprehend in the way you had used broad, general statements to obscure what I consider to be inconvenient realities.

One very difficult area that, as you know, we discussed last night, is what you did or should do when ordered by the President not to disclose a covert action program to Congress. I am dismayed by the fact that in 1986 you could assure us of the CIA's commitment to Congressional oversight while still not telling us of a major covert action program.

If you felt you could not tell us the full truth because the President demanded your silence, then you should not have left us with the distinct impression that the CIA fully accepted the need to be candid and forthcoming with Congress.

I was also concerned by your answers as to how you would have handled a direct question in 1986 regarding whether there were undisclosed covert action Findings. You said that in such a situation you would have given a slightly deceptive answer, namely that you lacked all the facts, in order to get time to warn Casey that you were on the spot.

Politically, I can understand why you would want to do that. But you also said that you would not view this answer as misleading, which I found hard to accept. To slightly deceive Congress is to mislead Congress.

You went on to say that you would have gotten back to us quickly with the full truth or you would resign. And that unquestionably was a good answer.

But this seems to miss the point. If you are hiding things from us, even for a short time, then how can we ever trust you truthfully to answer a question when it is posed?

Last night I put forth my view that when this Committee asks a CIA official to testify on a matter, it does not and cannot suffice for that official to give incomplete answers. For instance, we now know that in the case of your preparation of Iran-Contra testimony for Director Casey, you ignored and omitted information that turned out to be unbelievably important.

Given that there were serious concerns about the Agency's activities, ranging from the November 1985 incident to the use of a

man like Ghorbanifar in the operation, those concerns should have been shared with us as well. You have to level with us, not just give us the CIA line.

It is abundantly clear that Bill Casey failed to level with us. He evaded saying that Albert Hakim was used as the interpreter at some meetings with the Iranians. He avoided any mention of Ollie North by saying that he could not be sure who at the White House had worked on the January 1986 finding. He left out the role of Mr. Ghorbanifar, even though he had personally warned the President about that person.

According to your testimony last night, you not only failed to include a full description of the problems in this operation in Mr. Casey's testimony, you also failed to read the transcript of the hearing.

Mr. Gates, this was not just a routine intelligence hearing. It was not like, as I think you said, one of the thousand appearances, or something of that kind, of CIA people before Congressional hearings. This was the CIA's first effort to tell Congress about the biggest intelligence blunder in years.

Moreover, you had previously promised this Committee that you would correct the record if mistakes were made in CIA testimony. And yet, no such correction was offered.

We were, in fact, misled.

And a few scant days later, when this case broke wide open, every Member of this Committee knew they had been misled. My point here is that you entered into an obligation that you did not fulfill. Your answers last night affirm that fact.

Maybe the problem was in giving such blithe assurances to Congress in the first place, but I do not think so. I think the problem was that once having given this assurance, you failed to set up a system that would enable you to keep your promise. And that leads me to the basic theme that today's questions will develop.

Let us set aside the question that your actions in Iran-Contra were at odds with what you were saying to us. The fact is that this whole episode was not one in which your performance was especially admirable.

Let us go back to the first time that you say you heard about the Iran arms sale. On December 5, 1985, you attended a meeting at the CIA where you learned that the Agency had been involved the previous month in supporting an Israeli transfer of U.S. arms to Iran without a Presidential Finding. A Finding had then been drafted to include retroactive language and a Congressional non-disclosure clause.

Such a transfer violated stated arms embargoes on Iran and Agency rules on getting high-level approval for operational support to the White House. It violated an Executive Order provision on the CIA's role in covert actions. And it violated U.S. laws on the need for Presidential Findings and on the need to report to Congress.

The record suggests that in 1985 and 1986, when the U.S. began to ship arms to Iran, you did nothing to protect blatant violation of U.S. policy and circumvention of your own authority.

The question is, why did you not immediately voice your objections to your superiors? Why did you not immediately insist on

proper reporting procedure with respect to any future covert activity?

### TESTIMONY OF ROBERT M. GATES—Resumed

Mr. GATES. Senator Metzenbaum, the period during which these events took place I was Deputy Director for Intelligence. The meeting that Mr. McMahon held was one in which I was asked, along with another colleague from the analytical directorate, several factual questions about what had happened, what was happening in Iran.

We were asked about the number of operational tanks and about a biography of one of the military leaders and several other questions. Mr. McMahon, according to the reconstruction of the notes of his assistant, then turned to people from the Directorate of Operations and was told that a flight had gone, that several other flights were expected. It was not certain whether HAWKS were on the plane. And I think, in response to a question from him, that the Finding had been signed.

These were all matters completely outside my area of responsibility, Senator. I make no bones about the fact that I was not knowledgeable about the specifics of the law with respect to the Arms Export Control Act and so on.

But, again, these matters were outside of my area. And I would say to you that when it became my responsibility, as I indicated last night, I promulgated new rules as Acting Director forbidding a proprietary to undertake any action on behalf of the Government without presumption that a Finding would be required.

Senator METZENBAUM. Do you have any doubt in your mind that what was being talked about at that meeting was illegal, was improper, and that it should not have taken place? Did you not have any feeling about that at all?

Mr. GATES. No, sir.

And I may say that the Deputy Director at the time, Mr. McMahon, was a man of enormous probity and I was completely comfortable with the circumstances that were going on at that time.

Senator METZENBAUM. You did not think that you ought to let your own group review the draft Finding?

Did it not appear on its face to you that there was something wrong taking place?

Mr. GATES. No, sir, it did not.

Senator METZENBAUM. I think that is one of the things of concern, Mr. Gates. And that is that when you knew, when you learned things—and you are not a novice in this business, you were a pretty high ranking official at all points in the last several years, certainly during this period—you were not at least sensitive to what was transpiring and did not feel a responsibility either to call a halt or to raise a question with those in higher authority.

Six weeks later a subsequent Finding was signed, which escalated U.S. involvement in this mission. You have testified that you did not learn of the second Finding until a week after it was signed. It authorized direct U.S. shipment of arms to Iran, a continuation of the policy of non-disclosure to Congress, and a require-

ment that you provide U.S. intelligence to Iran pertaining to both Iraqi order of battle and the Soviet threat to Iran's borders.

As far as I can tell, your only objection to this initiative was a meek protest that you did not agree with the plan for intelligence analysis coming out of your Directorate. But then you went ahead and provided the intelligence.

The Finding authorized using Mr. Ghorbanifar as a middle man in this operation, even though he had failed CIA lie detector tests and other intelligence agencies had been warned by the CIA to stay away from him. It also authorized keeping Congress out of the loop, I suppose because we were allegedly unreliable and would not keep it secret.

In this instance we find that the Executive branch trusted a shady character like Ghorbanifar to be a key player on behalf of the Government, but considered Congress so unreliable that it kept us in the dark.

When all of this came to your attention, did it occur to you that the White House and the National Security Council were keeping Congress in the dark not for security reasons, but because they knew what they were doing was not sustainable as a credible policy with the American people?

Mr. GATES. Senator, the Agency in the person of Mr. McMahon in early December protested this entire policy in a meeting with the President. At the same time, I was told later, the Secretary of State and Secretary of Defense registered their objections with the policy. And those objections had been overruled by the President.

At the end of January when I was briefed on the Finding, I do not think that my protest was a meek one. Mr. McMahon subsequently sent a cable to Director Casey saying that everyone in the Agency who was involved in this thought it was a bad idea and that we should not proceed. But he had been told to proceed by Admiral Poindexter; and unless Mr. Casey interceded, we would proceed to provide the intelligence.

So with respect to Ghorbanifar, I was later told that the Agency had in fact been very direct with the NSC in telling them that Ghorbanifar was an unreliable character. As I indicated yesterday, however, the testimony, the earlier drafts of the testimony that I saw that Mr. Casey would have given indicated that Israel had, in fact, vouched for the reliability of Mr. Ghorbanifar and I think that that overruled—

Senator METZENBAUM. When did you see this?

Mr. GATES. I was told about—I'm sorry, the comment about Mr. Casey's statement?

Senator METZENBAUM. That Israel vouched for Mr. Ghorbanifar?

Mr. GATES. There was a statement in the 12:00 noon draft of the 20 November 1986 testimony that indicated that the Israelis had vouched for the Iranian intermediary who was Ghorbanifar.

Senator METZENBAUM. Did your own informants at the CIA, did they tell you that Ghorbanifar was reliable?

Mr. GATES. No, sir. I recall hearing around that time—I can't be precise about the timing—that he had, in fact, failed the polygraph test and he was considered unreliable, and that we had so informed the NSC.

Senator METZENBAUM. Did you not have a right to review the draft Findings?

Mr. GATES. In the normal course of events, yes, sir.

Senator METZENBAUM. In fact, you actually cited your general role in reviewing draft Findings as a qualification for you to be confirmed for higher office.

Why did you not stick up for your right to review these Findings at that point?

Mr. GATES. This was clearly a special arrangement that had been made and was being carried out under the auspices of the White House, the President. The President had been directly involved. Mr. Casey and Mr. McMahon had been directly involved.

I probably should have protested. Yes, sir. But I did not under those circumstances.

Senator METZENBAUM. You gave written testimony to this Committee that you saw a scenario paper for the National Security Council in February 1986 which laid out a schedule for the exchange of arms for hostages.

You have described the scenario, which predicted the Ayatollah Khomeini would be dead by May of that year, as laughable. That was the quality of the intelligence operation that had been taken out of your agency's control. Yet, you allowed it to go forward.

At the same time, you, in your words, quote, "lost touch with the project" as you became involved with the confirmation process to become Deputy Director of Central Intelligence. Now, the foreign policy implications of an arms for hostages swap with Iran were staggering. The plan being implemented was doomed to be a fiasco.

The question is, how could you put your personal agenda over your obvious obligations as a professional to put a halt to this violation of U.S. policy? And let me point out that I am not making an accusation that you put your personal agenda over your obligations; rather, I am referring to previous testimony, previous statements of yours, either in your questionnaire or at some other point, that that was the reason that you did not give more attention to the subject.

Mr. GATES. Sir, the President of the United States made the decision to sell arms for hostages. He may or may not have made that decision in the context of larger objectives or an opening to Iran and so forth. But that was his decision.

It was a policy decision. It was a policy decision that was protested by the Secretary of State and the Secretary of Defense and the Acting Director of Central Intelligence.

Again, it was a policy decision. The President decided to go forward. It seems to me that it is not the role of CIA to question the policy decision. We should have questioned how our part of that operation was carried out and the fact that it was in violation of all of the procedures and approaches that we normally would take in one of these covert actions.

In that area I think we were negligent as an agency. But I would say that as a policy matter it was not up to me, or in fact to Mr. McMahon, to question the policy decision that the President had made.

Senator METZENBAUM. In May 1986, you were Deputy Director. You or Mr. Casey received a memo from Charlie Allen regarding

Ghorbanifar and release of the hostages. Mr. Allen warned that the NSC initiative to secure release of the hostages was "dead in the water."

Not only was the mission at variance with our stated foreign policy, but it was operationally a failure. There was no longer any excuse that the security of the mission required it to be kept secret from Congress and the people of this country. In fact, there was no other point to keeping it secret except to avoid the embarrassment the disclosure would cause the CIA and the Administration.

Why did you not then insist the White House disclose the 5-month and 6-month old secret Findings to Congress in order to preserve the integrity of the Agency?

Mr. GATES. Well, sir, I've indicated that I told Director Casey at various times during that period that we would pay a terrible price with the Intelligence Committees when this came out.

The other side of it, though, is that while those in the Agency who were involved in this thing thought that the operation was dead in the water, those downtown at the NSC and the White House still believed there was the opportunity to get additional hostages out. In fact, they continued to believe that well into November. And so that was their justification for continuing to keep it secret.

Senator METZENBAUM. But you were not concerned at all as to the integrity of the Agency, knowing the impropriety of this act, knowing it violated American laws?

Mr. GATES. Well, sir, I didn't have any indication that the action was a violation of the law.

We had a legitimate Finding signed by the President. I had no indication that there was any violation of U.S. law. I thought it was a mistake. I thought it was a foreign policy mistake. But as I indicated in my opening statement yesterday, I think one of the things that I should have done was to have protested harder, more vigorously that the non-notification provision be lifted.

Senator METZENBAUM. As you mention again your statement yesterday, I do have to reflect upon the fact that nothing is more useful in many instances than to say, I was wrong, mea culpa, my fault, I am sorry, I should not have, I would do it differently.

But we are sitting here in judgment of you as to whether you have the integrity, the intellectual capacity, the responsibility to head one of our nation's most important, if not the most important agency. Certainly there is nothing comparable to it.

And the question that we have to decide in our mind is if he did not see the wrong in yesteryear, if he did not protest when he was in a position to protest, if he did not raise issues when he could have raised issues, if he did not report to the Congress when he should have reported to the Congress, what is the magical transformation that has taken place in Robert Gates when he comes before us today, yesterday, and the next several days for confirmation that makes that Robert Gates a different person from the one who did not meet those same responsibilities in yesteryear?

Mr. GATES. Senator, I would say to you that, as I indicated yesterday, when I arrived as Deputy Director I had no direct experience in supervising clandestine activities. The role and nature of



proprieties and so on, as an example, were not something that I had dealt with in the past.

These operations that you are describing, the Iran initiative, had been ongoing for a number of months when I arrived on the scene. I had complete confidence in Mr. McMahon who had served as the Deputy Director for Operations for 4 years, whom I knew to be a man who was a stickler for the rules, proper procedure and the law, and whom I respected a great deal. I had no reason to believe that there was anything improper going on.

I moved slowly in involving myself in the clandestine affairs of the Agency, probably too slowly. And as I indicated yesterday, I think that beginning the very day that I became Acting Director—not today, not yesterday, not when I was nominated for this position now, not even when I was nominated in February 1987, did I suddenly come to these things or learn these lessons.

But the record is clear that I learned them immediately. Beginning when I became acting Director in the middle of December 1986, I began to put into place the kind of procedures that would ensure that this kind of thing wouldn't happen again. And I took actions on receiving information.

The illustration that I used yesterday, to insure that the Congress was fully informed when we received information that even suggested the possibility of an impropriety. And that happened, Senator, within a matter of days after I became Acting Director, not in connection with any nomination procedure.

Senator METZENBAUM. I think that is one of the toughest questions for us sitting on this Committee, and that is, is the Robert Gates who failed to meet his responsibilities in yesteryear a different Robert Gates from the one who aspires to be Director of the CIA?

It is a difficult question for us to decide.

I will go on with my questioning.

Chairman BOREN. Senator Metzenbaum, let me interject one point.

Mr. McMahon's name has come up a number of times.

Senator METZENBAUM. Pardon?

Chairman BOREN. Mr. McMahon, the name of Mr. McMahon, has come up a number of times today in the oral questioning and in the nominee's answers.

I will point out, I want to point out to the Members of the Committee that we do have Mr. McMahon scheduled to be a witness before us on Thursday. So we will also have an opportunity to question Mr. McMahon.

Senator METZENBAUM. I thank the Chairman. I thank you. Later that same month, Mr. Gates, you were briefed by Admiral Poindexter on the status of a mission to Iran undertaken by former National Security Advisory Bud McFarlane. McFarlane had learned the hostages would not be released, despite an arms delivery in February and another on McFarlane's plane.

Poindexter's briefing was an opportunity to point out that the secret scheme was failing. We were sending arms and we were not getting hostages. It was a chance to speak up and make the case that Congress ought to be brought in, that Congress ought to be advised.

Why did you not speak up at that point?

Mr. GATES. Senator, I should have spoken up. I indicated that yesterday. I was the deputy to Mr. Casey. Mr. Casey was present at that. And I frankly deferred to him in this matter. As I indicated yesterday I probably should have spoken up more.

Senator METZENBAUM. Well, you knew you could not speak up to Casey. You said you became uneasy about the prolonged delay in the timely notification of Congress. I think I remember you saying yesterday it was 11 months after that Congress was notified of this. Am I correct in my recollection?

Mr. GATES. I think about 10 months, 10 months or so.

Senator METZENBAUM. You also said you spoke to Casey, encouraging him to advise this Committee, but he overruled you.

You were faced with the choice of continuing a successful, professional life where you were in line to be Director of Central Intelligence or you could have protested to the President or you could have resigned.

The President and Casey both favored the policy, so you went along.

Mr. Gates, this disastrous policy was barreling down a track headed for a cliff. Did you not think you had to do more than you did? Or are you now saying, "Yes, in retrospect I should have done more, but I did not"?

Mr. GATES. Senator, again, the decision to undertake these dealings with Iran was a policy decision.

It was a decision that more senior policy people in the Government did not feel warranted their resignation.

I would say that, frankly, in my 25 years of experience in Government there has been more than one Presidential policy that I thought was flawed, that I thought held negative consequences potentially for this country. And I decided to stay on the job. It is not because I thought I was going to be Director of Central Intelligence. I certainly had no anticipation of that during the spring of 1986.

I had just become Deputy. That was a new assignment for me, so I had no idea that that would happen. In fact, the odds were against it. I assumed that there probably wouldn't be another career professional to ever become Director of Central Intelligence, given the history of the preceding 15 years or so.

I take your point in terms of the fact that I should have protested non-notification of the Congress. I acknowledged that yesterday. But in terms of the policy, it was a policy decision by the President. It wasn't the first wrong policy decision by a President. That did not warrant my resignation in my view.

Senator METZENBAUM. Admiral Poindexter has twice testified that he approached you in July 1986 with a proposal that the CIA purchase a supply network that had been set up for the Contras and consisted of airplanes, boats, warehouses, and weapons.

In his deposition, he said your response was, "Let me check into it," or something like that.

The network was worth over \$4 million. An exchange of communications through the White House computer between North and Poindexter appears to verify Poindexter's testimony that he had at least one conversation with you about the possibility of the CIA



taking over the resupply network when legal restrictions were lifted by Congress. A private network set up and run by officials of the U.S. Government was, of course, in violation of the Boland Amendments.

You told us last night that although you did not remember Poindexter's call or your subsequent call out to Alan Fiers, it would not have seemed unusual for the private benefactors to want to recoup their investment by selling off their assets. I think you put it, "Well, it did not seem illogical these people were doing this, asking the CIA to come in and buy it."

But should it not have bothered you that the National Security Adviser to the President was acting as their broker? Why did you not immediately notify the Attorney General, or why did you not go and report to your Director that NSC officials were brokering for the private benefactors? Or why did you not come to Congress?

How can we be certain that when you again learn of some violation of law, as this was, that you will not again stay silent about any future illegalities by Government officials?

Even yesterday you made it appear that it really was not that terrible a thing for CIA to be involved in talking about, or buying, paying this private group the \$4 million. But they were a private group, as we now know.

Mr. GATES. Senator, at that time I had no idea that they were anything more than a private group of people who had gotten together to support the Contras.

I had no indication that there was a violation of law. And it did not seem to me that, again, I have no direct recollection of this conversation. In fact, as I indicated last night there is no record in either my meeting logs or my telephone logs of having this conversation with Admiral Poindexter.

But accepting the premise that we did have the conversation, it would not have seemed to me that he was brokering for the private benefactors as much as saying these people had made a contribution and at the encouragement of their Government, their money and so on, and that they were interested when a legal program came into effect, a congressionally approved program, in recouping. Now, I'm reading all of that into it. None of that was discussed at the time. But that's why I didn't see anything untoward in what he said to me.

Senator METZENBAUM. Even as you sit here, you do not seem to recognize the responsibility to have said to Poindexter, "Hey, wait a minute. What do you as a Government official, top ranking Government official, what do you have to do in connection with this? Where are we involved? How is our Government involved? How did you get involved? What is going on here?"

Even as you sit here, you do not see any problem about that. You say, "I do not see anything wrong. We just thought a private group was doing this."

But you do not see any responsibility. You have an inquiring mind, ostensibly, to be in the position that you are presently in and the one that you aspire to be in.

How can you sit here and not say to us that you should have said to Poindexter, "What in the devil are you doing in this situation?"

What is this all about? Is our Government involved?" You do not seem to find that to be a problem at all.

Mr. GATES. I'm trying to put myself back into that period, Senator, in terms of my knowledge—

Senator METZENBAUM. That is what I am asking you to do.

Mr. GATES [continuing]. At that time. And all I'm telling you is that I had no idea that there was anything improper or inappropriate going on. I had a view of Admiral Poindexter that he was a completely straight arrow and a completely straight shooter. I wasn't suspicious that he was involved in criminal activity or wrongdoing of any kind.

As I indicated earlier yesterday, maybe I should have been more skeptical at that time. But it seemed to me a not inappropriate thing for him to say. Or at least, it didn't set off any alarm bells for me that something inappropriate or illegal was going on.

Obviously, if I had known more about what the NSC role was, I would have pressed the issue much harder, not just with the Director, but perhaps elsewhere. But based on the information that I had at the time, I didn't see anything, it didn't set off any alarm bells for me.

Senator METZENBAUM. I am afraid, Mr. Gates, that the fact that we sit here looking at you as the should-have-been, would-have-been, could-have-been, rather than the man who is, concerns me.

You testified before this Committee on December 4, 1986, regarding Charlie Allen's October 1, 1986, approach to you about his concerns regarding possible diversion of monies to the Contras. You told us, "consistent with the way we had responded to such stories in the past, my first reaction was to tell Mr. Allen I didn't want to hear any more about it, that I didn't want to know anything about funding for the Contras." Those are your words, not mine.

Continuing your comment, "We actively discouraged people from telling us things. We did not pursue lines of questioning."

Mr. Gates, that blows my mind, for a man in your position not to want, deliberately not to want to know. "I didn't want to know anything about funding for the Contras. I didn't want to hear any more about it."

The motto inscribed on the entrance of CIA headquarters is Know the Truth. The Agency is mandated to learn what is going on in the world and report its knowledge to the proper public officials, including Congress, a Congress which was on record as being very concerned about our Government's funding of the Contras.

How do you reconcile your determination not to learn the facts about funding for the Contras with your duties to follow the CIA motto, to ensure that the CIA obeyed the law, to do the job that you were ostensibly doing? How can you justify a determination not to know?

Mr. GATES. Two points, Senator.

First of all, it was Agency policy to keep as great a distance as possible between ourselves and the private benefactors. There were clear prohibitions in the Boland Amendment in terms of our relationship with the private benefactors. And my initial reaction to that policy was that we weren't supposed to know, we weren't supposed to have any contacts; it was basically none of our business who was giving money to the Contras or how much it was.

Now the second point is that although that was my immediate reaction to Mr. Allen, one of the surprise, perhaps, to what he said, the fact is that the actions I took are quite different.

I told him to see the Director as soon as possible. When he saw the Director we had him put down in writing what his views were. I called in the General Counsel. I took his recommendations. And we took all of this down to the National Security Advisor. So that while my initial reaction of surprise or dismay to what he was about to tell me or what he wanted to tell me was as you have described it, my actions bespeak a very different approach and a very different attitude.

Let me make one final point on this question, Senator Metzbaum. As I've thought about my 1987 confirmation hearing, one of the few things that I said in that hearing that I regretted was the statement that we didn't want to know and we shunned information.

Unfortunately, I chose in those hearings to speak from an institutional standpoint. I choose to repeat what I had been told by others in the Agency had been their approach when people had come to them or when they thought they might have the opportunity to learn more—they had shunned the information. They had turned it away. They didn't want to know.

But I don't think there's any example in the record and of all the interviews that this committee has done of somebody coming to me from the Agency and reporting wrongdoing or an impropriety during that period. And the first time I have any recollection of that happening on October 1, 1986, I took an action. And I think that is more important.

Senator METZENBAUM. Mr. Gates, you do not seem to understand that is it not enough to just wait for somebody to come and report an impropriety. You are an intelligence officer. You are skilled in this business.

You get dribbles. You get something from Charlie Allen, or you get some comment from Poindexter, or you pick up some information from others, I think Kerr, all of them touch upon the subject. There are others, and I cannot remember all of them at this moment. What bothers me is that this very intelligent man, this high-ranking official in the CIA and formerly the NSC, does not say, "Wait a minute, tell me some more. What did you say? What did you say about a Swiss bank account? What did you say about this or that?" But instead you say, "We did not want to know. I was not interested in information." And frankly, I think that is fundamental to the whole question of this confirmation. Why does this man, who is so strongly supported by the President, and by my colleagues on the other side of the aisle, and I respect them whatever their judgment may be, why should this man be confirmed, who did not want to know and, when he was given dribbles of information, was not willing to press forward and say, "Wait a minute, what is going on? I want to know more. There is a possible violation of the Boland Amendment here. I believe we have a responsibility."

It was as if he had said, "I am fading into the shadows." I do not want to hear another word about it." See no evil, hear no evil, speak no evil. And so, Robert Gates, who was on the upswing at

the Agency, knows that things are happening, gets enough—not maybe complete evidence, not enough to convict, not enough to take to a jury, but enough that a well-trained intelligence officer should have been alerted, alarmed, concerned in each instance. In each instance—this is the disturbing part—it was not just once, it was time and again. In each instance, Robert Gates says, “I do not want to know any more.” That is what bothers me.

You know that oversight and reporting of runaway operations is a key duty of every CIA official, from case officer, or intelligence officer, to Deputy Director, right up the line. The question is—I guess I have already stated it—why should we believe that you will diligently pursue such duties as Director, regardless of the political consequences, when your first reaction to concerns over possible illegal activity was a desire to remain ignorant of the facts? I guess you have answered that to the best of your ability. If you want to add anything more you are welcome to do so, and then I will go on.

Mr. GATES. Well again, Senator, I would just observe that when the information was brought to me, although, as I acknowledged yesterday, in retrospect I did not do enough, the fact is that I did act. I ensured that it was taken to Mr. Casey. I got his permission to brief the General Counsel, and asked the General Counsel to look into it. I followed the General Counsel’s advice. We took the information to the National Security Advisor, whom I believed to be an upright, straight-arrow person, and encouraged him to have the White House counsel review it. We urged that it be made public. We urged both of those things again on the 6th of November.

This was a policy in which the President was directly and personally involved. They still believed that they could get some hostages out, but those actions were taken, Senator. And I think that beyond that, the record that I established as Acting Director, beginning on the 15th of December, illustrates that I recognized that I should have been more aggressive, particularly in those first 2 weeks in October, and that I took steps that that kind of thing would not happen, and, furthermore, to begin building the kind of institutional safeguards that would ensure that we would not end up in an operation of that kind again.

Senator METZENBAUM. You testified on several occasions that Charlie Allen came to you on October 1st, 1986, and said that he believed profits of the Iran arms sales might be going to arm the Contras in Nicaragua. You viewed that as mere “speculation,” that is your word.

In your February 1987 testimony, you described Mr. Allen’s information as worrisome, but extraordinarily flimsy. However, Mr. Allen has sworn in depositions to this Committee that he told you two critical facts. First, the government of Iran was being overcharged for HAWK missile parts, and second, that Mr. Ghorbanifar was charged \$15 million for those parts, even though they were worth no more than \$5 million to \$7 million. He also swears that he told you he had this information not only from Mr. Ghorbanifar himself, but also from the Israeli contact, Amiram Nir. The implications of that fact were that somebody closer than Ghorbanifar—either Secord or Hakim, or North—was making huge profits from the sale of weapons they had purchased through your agency. Did

that not warrant greater action? Was that not a matter of major concern?

Instead, what you did was you waited a week to see Casey, you waited another week to get a memo from Charlie Allen, and then simply told Poindexter that he had a problem. Was not greater, more expeditious action warranted than that?

Mr. GATES. Mr. Allen has told me that when he met with me, I told him in that meeting that he should see the Director as quickly as possible. He told me that the fact that he did not get in to see the Director until the 7th was due to his own scheduling, or that that was his problem, that I had told him to see him as quickly as possible.

We told him to write up his findings. It took him a week to do that. It was a long memorandum, 7 or 8 pages, single-spaced, so the timing, Senator, was more a function of Mr. Allen's than of mine.

Senator METZENBAUM. You say the timing was more Mr. Allen's than yours?

Mr. GATES. In terms of the delays that you were speaking of.

Senator METZENBAUM. Were you superior to Mr. Allen at that point?

Mr. GATES. Yes, sir.

Senator METZENBAUM. So that once you knew the information, and you knew of the improprieties, to say that you put it off on a subordinate, is that an adequate answer, that because Mr. Allen did not get around to it, therefore nothing took place?

Mr. GATES. Senator, again, as I indicated yesterday, Mr. Allen's primary concern was over the operational security of this entire initiative with Iran. That meant the danger of disclosure of this major controversial foreign policy initiative. In his 7-plus page, single-spaced memorandum, there was but one sentence that made reference to the possibility of a diversion; and even there, he couched it in terms that if Mr. Ghorbanifar's financial needs are not met, he might make the following allegations, and one of those allegations was that some of the money had been diverted from the arms sales to joint projects of the United States and Israel. That was a much vaguer formulation than he had come to me with.

Senator METZENBAUM. Did you think you ought to go back to him and say, "Why did you not put in your memo the things you told me?"

Mr. GATES. I assumed that as he had sat down to put it on paper, his own uncertainties had grown; and again, the focus was primarily on the operational security of this matter, not the diversion. We probably lost sight of the main problem there, but the focus was clearly on the danger of disclosure of the entire initiative.

Senator METZENBAUM. He also pointed out, in that memo, that Ghorbanifar had been charged \$15 million instead of the \$5 million to \$7 million cost, did he not?

Mr. GATES. He mentioned that there had been some back and forth, and charges of overcharging, but I do not recall the specifics, that he had mentioned the specifics. Frankly, Senator, these appeared to me to be a couple of Iranian arms dealers dealing with one another, and the idea that somebody was getting cheated did not strike me as particularly surprising.

Senator METZENBAUM. Wait a minute. Was not Secord or Hakim or North in the loop? When you say it was just some foreign arms dealers, Secord and North were not foreign arms dealers, were they?

Mr. GATES. The only recollection that I had of Mr. Secord's name being mentioned was the broad view, the broad statement by Mr. Allen that one of the things that roused his concern was the fact that Mr. Secord was involved in the private benefactor effort, and also was involved in the Iranian effort. I did not recall any specific discussion of the specific roles that either Secord or Hakim were playing in the initiative.

Senator METZENBAUM. On December 4, 1986, you agreed with Senator Cohen's characterization of your views as follows: "In other words, if the money was skimmed off by Khashoggi, Ghorbanifar, or Secord, or anybody else, or North himself, and given to the Contras, then as far as you were concerned that does not involve the CIA in any fashion." And according to my notes, you agreed with Senator Cohen's description to that effect. Do you still agree?

Mr. GATES. No, sir.

Senator METZENBAUM. Well, how do you disagree now, or are you questioning the quote that I gave you?

Mr. GATES. No, sir. I had less than 24 hours' notice that I was to appear before that hearing, Senator. I had virtually no time to prepare. I had little knowledge of the specific arrangements that had been involved in some of these financial transactions, with respect to the arms transfers. I think that—I do not know the law specifically, I am not a lawyer—but I would say now that if that information came to my attention, I would regard that as a serious problem.

Senator METZENBAUM. What would you do about it now?

Mr. GATES. Well, if something like that came to my attention now, Senator, I would first see the National Security Advisor and tell him there was a problem. If he did not immediately follow up either with the White House counsel or the Attorney General, I would—and if he did not or did not want me to do that, I would go to the President.

Senator METZENBAUM. In those same hearings in December 1986, you testified, "We did not want to ask him factual questions about what he was doing with the funds. I assumed that he was involved in efforts to get money for the Contras, and this was one of those areas where we did not pursue obvious lines of questioning because we did not want to get involved in knowing about the sources of funding."

Mr. Gates, that is incredible. That is almost unbelievable that you, the Deputy Director of the CIA, did not want to launch an investigation because you did not want to get involved in knowing about the source of funding. Were you afraid you would find out something illegal was going on? Why did you not want to get involved? Why did you not want to know the facts?

Mr. GATES. Again, because of my concern that we keep our distance from the private benefactors, Senator.

Senator METZENBAUM. So you had a willful intent not to know the facts.



Mr. GATES. About the private benefactor effort. Yes, sir.

Senator METZENBAUM. Charlie Allen also swears that he told you during your October 1 meeting that when he discussed Mr. Ghorbanifar's problems with Ollie North, North said he might have to use "the reserve to pay off Ghorbanifar and keep him quiet." Did that not suggest that North was getting extra money from somewhere? Again, did you not want to know where the private money was coming from.

Mr. GATES. No, sir. I do not remember Mr. Allen saying that; but assuming he did say it, mention of the word reserve would have suggested to me that North was somehow suggesting that the CIA reserve be used, and I just considered that sort of outlandish talk and dismissed it—would have dismissed it. The idea that there was some other kind of account would not have occurred to me at all.

Senator METZENBAUM. Mr. Gates, Mr. Allen told you that there had been overcharges to the middlemen who were supposedly helping us get hostages out of the Middle East. In other words, someone was cheating the people we were relying on to rescue American lives. Did you not think it important that you get to the bottom of that?

Mr. GATES. Senator, as I indicated earlier, I thought that most of the people we were working with were highly unreliable.

Senator METZENBAUM. You did not care if they were being cheated? Let us assume they were highly unreliable. Let us also assume that they were helping to rescue lives, contrary to actual fact, but let us make those assumptions. If somebody was an unreliable person, but that person was trying to rescue American lives, would it not bother you at all if our Government or its representatives were somehow involved in cheating them?

Mr. GATES. My understanding, Senator, at that time was that the two aspects of this operation were basically unrelated. On the one hand, you had the arms sales to Iran; but it was the Iranian Government that, in fact, was involved in the hostage releases, not those who were engaged in the arms transfers.

Senator METZENBAUM. You also learned from Allen, a respected National Intelligence Officer, that he believed there was a diversion of profits from the Iranian project to the Contras, but you did nothing at all, waiting a week even to bring the news to your superior. Frankly, why should we confirm a person who in the past has been so indifferent, so lax about his responsibilities within his own agency, or to the President, and to the people of this country? The fact that you failed to move, the fact that you sat back, the fact that you listened to information, learned information and it did not trigger any response on your part, causes concern as to what you would do if you were head of the CIA.

Mr. GATES. Well, Senator, with all due respect, I think I did take an action. As I indicated, I told Mr. Allen to see the Director as soon as possible. He saw him on the 7th, and we directed him to do his paper at that time.

Senator METZENBAUM. Well, the day after Mr. Allen voiced his concerns to you about possible diversion of profits from the Iran mission to the Contras, you attended a regularly scheduled weekly meeting with Admiral Poindexter, whose NSC staff was running the Iran mission. Why did you not ask him directly, "Was there a

diversion of funds? What did the NSC know about the overcharges to the Iranian middlemen?" Why did not you just put the question to him?

Mr. GATES. Well, Senator, I think that that falls into the category that I described yesterday of areas where I should have pressed both Mr. Casey, and in that particular case Admiral Poindexter, more vigorously. I believe my thinking at the time was to wait until Mr. Allen had put down his thoughts on paper, and see what it looked like.

Senator METZENBAUM. On October 7th, you attended a meeting with Mr. Casey where Mr. Allen told him his concerns regarding the overcharges to the Iranian middlemen. Mr. Casey had his own revelation. A Businessman Casey had represented in his days as a private attorney, Mr. Roy Furmark, had visited Mr. Casey that same day. Mr. Furmark had told Casey about two Canadian investors who had invested capital in the purchase of the arms from the Iran sales. According to Furmark, they were now threatening to sue their partner, Mr. Adnan Khashoggi, for nonpayment.

Mr. Khashoggi himself had not been paid by Ghorbanifar and would in turn certainly sue Ghorbanifar and name the United States in order to collect. Mr. Furmark was similarly warning Mr. Casey that the security of the mission was in danger. This story by itself would have been enough for most people to immediately call for a full investigation. Coupled with Mr. Allen's concerns regarding overcharges, it would seem to me it should have been a red flag complete with bells and whistles. This was a problem. This was something of concern. This could be disastrous. Yet you did nothing. You were content to tell Mr. Allen to prepare a memo. It seems, Mr. Gates, that you are very good in this question of preparing memos because that essentially bucks the responsibility down the line.

Why did you not underline the gravity of the situation for Casey? Why did you not initiate your own personal investigation instead of saying give me a memo? You knew that the previous memo took a week to prepare. Why did you not just say, "Let us go to work on this, let us see what is happening." Why did you not pick up the phone, or go see somebody, raise some questions about it?

Mr. GATES. Well, there was just the one memo, Senator, and part of this had to do with my view of Mr. Allen. I have known Mr. Allen for probably 20 years. He is a good analyst. I think most people would agree that his greatest strength is in what I would call worst-case analysis, and I have seen him hit some home runs, but I have frankly also seen him strike out. And my usual practice, when I would get a memorandum from Mr. Allen on an international event or something, would be to ship it around to people, have people give their different views, and bounce it back and forth with what Mr. Allen had said to see if we could pursue the issue further.

Bearing in mind this general approach of Mr. Allen's toward worst-case analysis, it seemed to me that having him put these thoughts down on paper so we could look at what he had, and what he believed in some detail, was the right way to go. And when I got that memorandum is when I asked Mr. Casey for permission to inform the General Counsel of what had been in Mr. Allen's memo-



random. So if you ask if I had undertaken an independent investigation, I would say that yes, I did, in the sense of asking the General Counsel to look into it. But again, Senator, let me refer back to—

Senator METZENBAUM. Do you feel that asking a lawyer to look into it is conducting an independent investigation? Is that your definition of an independent investigation?

Mr. GATES. Well sir, I believe that asking the General Counsel—

Senator METZENBAUM. Most of us go to lawyers for protection when we are in trouble.

Mr. GATES. Well, that is not my view of how the General Counsel operates at the Agency, Senator Metzenbaum, in terms of looking to them only when you are in trouble. I look to them for guidance in terms of proper courses of action, whether there has been an illegal activity, whether there is a problem or an impropriety. I see their role as much broader than that. But I would like to make the point again, Senator, that I made yesterday, and that is that all these alarms and bells and whistles seem so apparent now, 5 years away from those events.

I have acknowledged that I should have been more vigilant, but at the same time, I think it is important to realize how much else was going on. This was certainly not the sole focus of my efforts, or my activities, or my concerns at that time. Frankly, I was much more deeply engaged, in some respects, in trying to deal with some of the ramifications of the Daniloff affair in Moscow, and trying to get chronologies relating to that, and so on, than I was with this matter.

There were a variety of other things going on at the same time, that I mentioned yesterday—the Philippine coup attempt, the Reykjavik summit, all of which I was deeply engaged in. So it seemed to me, again acknowledging that I should have been more vigilant and should have pressed harder, that the actions that I took were still well intentioned in terms of trying to ensure that there was no impropriety or illegality going on.

Senator METZENBAUM. When you saw the 7-page memo that Charlie Allen gave you, did that not also set off some bells, because Charlie Allen's memo did not go as far as his oral conversation with you? He told this Committee in deposition that "I concur that the memorandum that I prepared on 14 October, 1986 was oblique in referring to possible illegalities involving U.S. parties involved in the Iranian initiative. I did this deliberately. I was hesitant to allege in writing that White House officials directing the project, including the National Security Adviser, were engaged in highly questionable, if not illegal, activities. To put this in writing at this juncture did not seem prudent. I was particularly concerned with what Mr. Casey might do with this memorandum once it was written. Mr. Casey, in fact, did what I thought he might do. He, along with Mr. Gates, took the memorandum to Vice Admiral Poindexter, went over it with him in detail, and left it with him. He also told Admiral Poindexter that Charlie Allen had prepared it.

Now, you saw the memo. You had to know, at that point when you read it, that it was not as complete as what he had indicated to you orally. Did you have occasion to call Charlie Allen and say,

"Where is the rest of this material?" You just mentioned that when you read it, there was only one line in the whole 7-page report that referred to this. Did you not have a responsibility, at that point, to say, "Charlie, what the devil happened to the rest of stuff you told me? How come it is not in the memo?"

Mr. GATES. It simply seemed to me, Senator, that Mr. Allen had become even more uncertain about the speculation that he had had about a possible diversion. His concerns, on the other hand, about an operational—about the operational security had intensified between the time that he briefed me and the time that he wrote that memorandum. Again, that then became the focus of our concerns.

Senator METZENBAUM. You said that you turned it over to the CIA lawyer. The question is how the CIA lawyer operated at this time. He did no investigation. You never asked him whether he had. You never told your counsel to read Allen's memo, and it was not read, nor did they interview Allen. Did that not bother you, the fact that your counsel did not follow up? What is of concern to me is, this whole matter did not seem to bother you. It just did not faze you. You said you had this problem over in the Soviet Union, and had some other problem here, but this problem had to do with the violation of American law, had to do with the credibility of the United States Government, and that did not seem to concern you nearly as much as certain other matters taking place throughout the world.

Mr. GATES. Well, certainly I had no indication of a violation of law; but I had asked the General Counsel to look into the matter and ensure that there were no improprieties, and that CIA's involvement, that there were no problems with it. I did not tell him specifically how to conduct his investigation. I did not give him more specific direction than that, and he came back to me later and said that he did not see any particular problems.

Senator METZENBAUM. I will pass on to another subject. On October 8, 1986, you briefed this Committee on Eugene Hasenfus, the re-supply crew member who had recently been captured by the Nicaraguan Government when his plane was shot down. You reported past CIA associations of Hasenfus and the other crew members and told us the CIA had no current link to the charter company, Southern Air Transport.

According to CIA General Counsel Doherty, you told him that Southern Air was involved. A later examination of Southern Air Transport records showed that the charter company was being paid out of the same accounts for both Contra re-supply missions and Iran arms transports. You know that the former CIA proprietary airline was playing a substantial role in the weapons transport operations to both Iran and Central America.

You responded to a question from Senator Cohen, asking if the plane was owned by a private proprietary company of the Agency. Your answer: "Of CIA, no, sir. We did not have anything to do with that. And while we know what was going on with the Contras by virtue of what may come up here in brief, I will tell you that I know, from personal experience, that we have, I think, conscientiously tried to avoid knowing what is going on in terms of any of this private funding, and tried to stay away from it. Somebody will say something about Singlaub, or something like that. We will say,

I do not want to hear anything about it. I do not want to hear anything about it."

When you told this Committee that Southern Air Transport was not involved with the CIA, it seems from Mr. Doherty's testimony that you knew it was. Now there are two concerns here. One is, you are indicating that you did not want to know anything about it, and the second is, were you intentionally misleading this Committee when you said that the proprietary was not in any way connected with the CIA?

Mr. GATES. I am confident I was not misleading the Committee, Senator. I believe I had been told, at the time, that although Southern Air Transport at one time had been a proprietary of CIA's, it no longer was, and had not been for some time. So I am not familiar with the details that you have just read, but I am confident that I certainly was not misleading the Committee, or at least knowingly doing so. I must have been reflecting the fact that I had been told that it was not any longer a proprietary of CIA's

Senator METZENBAUM. Mr. Gates, what runs through this entire hearing, and your answers to the Committee's questionnaire, is one clear picture of Robert Gates: Robert Gates, the CIA official who did not want to know. Your phrase was, in answer to Senator Cohen's question, "We will say, I do not want to hear anything about it." Now, that is not said once by you, it is said time and time again. "We do not want to know about it. We do not want to hear about it." And I have to say to you that it is extremely troubling to this Senator that a man who aspires to be the top man in the CIA would be prepared to say, and has on many occasions said, "Block me out of that information. I do not want to hear it. I am the total see no evil, hear no evil person. I want to hear nothing. I want to see nothing that is wrong." And I question how can such an individual, even though you made the statement yesterday that you would have done things differently, how do I, or how any other Members of this Committee know, when we are sitting here, that Robert Gates, CIA Director, will be any different than Robert Gates coming up the ladder, who did not want to know, time and time again, when our Government's laws were being violated?

Mr. GATES. Senator, I think it is important to recall that during that period, from 1982 to 1986, the Congress had passed four different laws restricting CIA's relationships with the Contras. The Congress was very intent that CIA not be involved in the paramilitary support of the Contras. Each of those pieces of legislation, collectively known as the Boland Amendments, was successively more restrictive about CIA's involvement. It was CIA policy, formulated and sent to the field in cables, about keeping distance from private benefactors. That is what I have in mind.

The fact is that we were extremely sensitive to the fact of the number of crises that had taken place in the relationship between CIA and the Oversight Committees of the Hill, because of the Contras and the Nicaraguan program. By the middle of 1986, CIA was so gun-shy about its relationship with the Contras, and about keeping its distance from the private benefactors, that it gives rise—gave rise to the kind of concern that you are talking about.

It was a concern that we not get cross-threaded with the Congress again, that we not know too much, that we not know about

what we were not supposed to know about according to the dictates of the Congress and Agency policy. So that is the context in which this takes place, Senator. It is in the context of 4 years of constant crises over the Contras, and CIA's relationship to them, and the certain knowledge that the Congress did not want CIA to have anything to do, not only with the Contras, but with the private benefactors either.

Senator METZENBAUM. Are you telling us that you thought it was a violation of the Boland Amendment for you to even inquire—to even inquire whether the Boland Amendment was being violated? How could you think that it was against the law to inquire whether the law was being broken?

Mr. GATES. I had no indication that the law was being broken, Senator.

Senator METZENBAUM. But you could inquire to find out whether the law was being broken. "Are we doing something improper? What are the facts in connection with this matter?"

Mr. GATES. That is exactly what I asked the Deputy Director of Operations on October 9th, Senator. That is exactly what I asked the General Counsel to look into when I talked to him on the 15th of October.

Senator METZENBAUM. But the fact is, you knew, when you asked the General Counsel, that the memo that Mr. Allen had prepared was not a complete memo. It did not include everything he had told you. You knew there was more to it. You knew there was only one line in the 7-page memo. If you had called Allen and asked him, he would have told you, "I held back, I was a little concerned about going too far," just as he told us on deposition. You did not care. You deliberately did not care, did not want to know, closed your ears, closed your eyes.

The next day you had a luncheon meeting with Lieutenant Colonel North and Director Casey. You later testified to this Committee that you asked Lieutenant Colonel North at this lunch if the CIA was involved in the Hasenfus shoot-down. He told you the CIA was clean of any involvement, an assurance that we now know to be a lie.

As long as you were asking North about those activities, why did you not ask him about Charlie Allen's concerns regarding overcharges to the Iranian middleman, and illegal diversion of profits to the Contras? Did you not want to find out if Allen's concerns were valid?

Mr. GATES. My whole concern that day, Senator Metzenbaum, was over the fact that there had been this huge uproar in the press that morning because Mr. Hasenfus had said that he thought he had been working for some CIA people. My whole concern was focused on the fact that Mr. Casey and I were going to come up here to the Hill and talk to the leadership of the two Intelligence Committees, and it was totally in the context of the Hasenfus plane being shot down that I asked the question at all. And frankly, I did not make the connection, or did not pursue that line of questioning because it did not occur to me.

What was foremost on my mind was to insure that CIA had not, in fact, had any connection with the Hasenfus matter.

Senator METZENBAUM. You testified that North made a cryptic remark about a Swiss bank account at that lunch. I think you indicated yesterday you should have asked more.

We all know that Swiss banks are used, almost by definition, by Americans to shield depositors' identity and the size of the account.

The question is, why did his remarks about the Swiss bank account and the Contras not alert you? This is your training. It might not have alerted me or somebody else. But this is your training. It had to signal that he was involved in hiding money by using Swiss bank accounts.

Now, first of all, did you not wonder how a Marine lieutenant colonel would have access to such accounts? Or were you still actively avoiding knowing the facts?

Mr. GATES. No, sir—again, it seemed to me that, to the degree that I was able to make any sense out of what he said at all, it must have had something to do with the private benefactors. It did catch my attention. That is why I went back in and asked Mr. Casey the question that I did.

Senator METZENBAUM. And then you just dropped it at that point?

Mr. GATES. Yes, sir.

Senator METZENBAUM. In December 1986, you testified that you had assurances from our people that they had kept their distance from the private benefactors. In July 1987, in your deposition to the Iran-Contra Committee, you testified, "I already had talked to the people in our Directorate of Operations, and had received their assurances that no one from CIA, no assets or proprietaries or anything were involved."

I wonder what you were told by your people that set your mind at rest? I would like you to tell us exactly what you asked, and from whom in the CIA you sought assurances. From what we now know, Mr. George, Deputy Director for Operations, could not have given you those assurances. The second chief of the Latin American Division is also alleged to have known about the diversion. Alan Fiers, without being asked, had informed at least two other superiors of the diversion, so it is unlikely he gave you assurances that no one from CIA was involved. Joseph Fernandez, who was Chief of Station in Costa Rica, was later indicted for cooperating with the private benefactors. Did he tell you he had kept his distance?

How could any of the people a prudent superior would have asked given you assurances that your Agency was not involved? Who gave you such assurances?

Mr. GATES. On October the 9th, Senator, I believe I asked Mr. George whether CIA had had any connection with the Hasenfus matter at all, and received assurances that we had not.

Chairman BOREN. Let me just interject for just a moment.

Senator Metzenbaum, I would suggest we might go on with one more question and answer at this point. And then it would be my intention to take about a 5-minute recess. I have had discussion with Senator Metzenbaum and other Members of the Committee.

Since others have not yet had a chance to have their opening round of questions, we will then come back and the questioning will begin with Senator Danforth. Is that agreeable to you, Senator

Danforth? Then we will proceed to Senator Bradley, who has been notified that he will follow Senator Danforth. Then we will go to Senator Rudman and that should take us about to the recess during the lunch hour.

We will come back at 1:30. By my estimation, we have seven Members of the Committee that have 30-minute rounds each which would take us to approximately 5:00, if all the time were used. That would enable all the Members of the Committee before we complete business today at 5:00 to at least have their first round of questions of the nominee.

If there is time remaining, and Senator Metzenbaum or others have additional questions, we will return to that. As I have indicated previously, we will judge at that point whether we need to have the nominee come back, whether later this week or next week, since we will go to the outside witnesses on Thursday.

But this would at least allow all Members to have a chance to have at least their opening round of questions with the nominee before—

Senator METZENBAUM. I think the Chairman has been very fair, and I certainly appreciate the courtesy extended to me this morning.

I will ask one more question.

Chairman BOREN. Fine. We will have one more question. Then we will have a short recess.

Senator METZENBAUM. On October 16, Charlie Allen met with Mr. Casey again. And Casey instructed Mr. Allen to meet with businessman Roy Furmark and find out what Furmark knew. He had several meetings with Roy Furmark, where he learned more details about the Khashoggi role with Ghorbanifar. George Cave also went to one of those meetings.

Allen wrote memos to you, Casey, and Near East Division Chief Tom Twetten regarding his conversations with Mr. Furmark. Those memos gave further support to Mr. Allen's concerns that that Iranian operation's security was in jeopardy because it was overcharging. You have testified you never read those memos.

Do you mean to say that before November 25, you never bothered to ask Mr. Allen or Mr. Cave what they had learned? And I will just follow that with a note that I think that has been your indication in the past. And I guess I have difficulty—well, respond. And then I will just finish my question.

Mr. GATES. Senator, I left Washington for a trip to the Middle East on the 17th of October, and did not return until the 30th. Both of Mr. Allen's meetings with Mr. Furmark occurred during that period.

Within 3 or 4 days after I returned, the Iran initiative had been leaked to a Beirut newspaper, and the total focus at that point become the foreign policy consequences of this leak. And the total focus, as I recall during that time, was on both the domestic and the foreign policy consequences of this revelation.

Senator METZENBAUM. Well, on that trip you went with Mr. Twetten, who had also been given a copy of Mr. Allen's October 14th memo to you and Casey about Ghorbanifar's threats to expose U.S. and Israeli overcharges to the Iranians. You were with Mr. Twetten, I think 12 or 13 days, from the 17th to October 30th.



You said in later testimony to this Committee you went on that trip seeking a safety clime, meaning a sort of a refuge, to get away.

Does that mean that the number two man at the CIA wanted to get away from the flak and not face the music? And furthermore, since you went with Mr. Twetten, during those 13 days why did you not ask him, talk to him about the memo? And how could you avoid discussing it?

But tell me about the safety clime first.

Mr. GATES. Senator, I think in my confirmation hearing in February 1987 I made the comment that I sought a safer clime. I think that the expression taught me the consequences of trying a little light humor in a confirmation. I was simply being flip, Senator, during the hearing, making the comment about having left the country. There was nothing more to it than that.

Mr. Twetten—in response to the second part of your question—I did not, and do not have recollection of discussing Mr. Allen's memorandum with Mr. Twetten. I believe Mr. Twetten recalls differently, that we did talk about it on the trip.

Senator METZENBAUM. Mr. Chairman, I will be glad to await—

Chairman BOREN. Thank you very much, Senator Metzenbaum. Do you still have some more questions you would like to ask later on?

Senator METZENBAUM. Yes, sir.

Chairman BOREN. Very well, we will, after the very short recess, return to the order with the other Members of the Committee in 30-minute rounds. We will take about a 5-minute recess.

[A brief recess was taken.]

Chairman BOREN. We will resume at this point.

Is the microphone on? Here we go. We will resume. I think that we should be able to finish the 30-minute rounds of questions from the next three questioners in time for us to break for lunch at approximately 12:30. It would be my plan to resume at 1:30, because that would give the potential to complete by 5:00 the seven others who have not yet had their first 30-minutes rounds.

It is my hope that we can complete at about 5:00 in order to allow those who need some time to travel to services to be there. So we will have a rather short lunch break. This will help impose discipline on the Chair who is now beginning his 117th attempt to diet.

We will now turn to the Senator from Missouri, Senator Danforth, who is recognized for his round of questions.

Senator Danforth.

Senator DANFORTH. Thank you, Mr. Chairman.

Mr. Gates, I listened very carefully to Senator Metzenbaum's statement that, in his view, your position at the CIA was like the three monkeys: hear no evil, see no evil, speak to evil.

Is it a fair statement that where there is any question about impropriety or illegal activity within the Agency your view is that you do not want to know what is going on? Was that a fair statement of your position?

Mr. GATES. Absolutely not, Senator Danforth.

As I indicated yesterday, within a day or two after becoming Acting Director, information came to me suggesting the possibility that some U.S. Government officials, and perhaps some CIA offi-

cers, had been engaged in arms sales to the Contras. That information was characterized to me by people as hearsay, perhaps disinformation, and so on. It was my judgment that it warranted greater attention than that. And I directed the individual, the head of the other intelligence Agency, not only to brief the Attorney General, but the Secretary of State, Secretary of Defense, the acting National Security Advisor, and the Chairmen of the two Intelligence Oversight Committees. I believe that is characteristic of a very aggressive approach toward looking into wrongdoing that characterizes my performance—certainly as Acting Director, and also as Deputy Director under Director Webster.

During the time I was Acting Director, I commissioned three different Inspector General investigations associated with Iran-Contra. I cooperated fully with all of the different investigative bodies that were looking into Iran-Contra, essentially opening up the Agency's files for them to get into.

When information first came to me that one of our officers had not—had violated Agency policy in terms of the private benefactors, I notified the Chairman of this Committee in January of 1987. And when it came to my attention a couple of weeks later that that officer may not have told the truth, I was on the phone to Chairman Boren and to the Chairman of the House Intelligence Committee within 1 hour of having learned that information myself.

So I think there is a very strong record of acting aggressively in terms of wrong-doing during that period. And frankly, I think my whole career speaks to a willingness to speak my mind and say what I think.

When I was a relatively new analyst in 1973, I wrote an article for Studies in Intelligence that basically said the entire way we went about doing Soviet analysis had deep flaws, and that we were not doing it very well. For those who characterize me as a deeply-driven and ambitious person, I would say that doing that as a GS-12 is not career-enhancing. And for a while it was not.

Senator DANFORTH. In that case, you were how old?

Mr. GATES. 30.

Senator DANFORTH. 30-years old, and you were a junior person in the Agency and you thought that the whole method of doing analysis was incorrect?

Mr. GATES. I thought that there were serious shortcomings in the way we went about it, yes, sir.

Senator DANFORTH. That was not the only time when you were critical of existing ways of doing things, was it.

Mr. GATES. No, sir, in fact when I became Deputy Director for Intelligence I made some fairly radical changes in the way that we went about doing the business of intelligence. A number of those measures were very unpopular.

Senator DANFORTH. And in matters of policy, it has been my observation that you have not exactly been a shrinking violet as far as stating your own views are concerned. I mean some people might criticize what your views have been.

It is very interesting to me that some people attack you because they say that your views might have been too strongly stated, particularly with respect to the U.S.S.R. And other people say, oh, you



have politicized your views. I do not think you can have it both ways.

You have been, have you not, at odds with various people in various Administrations with respect to how your analysis squares with their policy?

Mr. GATES. Yes, sir, that began when I was working with Dr. Brzezinski on the NSC staff in the Carter Administration. It continued in the Reagan Administration, and even to an extent in this one.

Senator DANFORTH. And you had a disagreement, did you not, with Secretary Baker with respect to a speech on the future of Gorbachev?

Mr. GATES. I did have a speech prepared that I was told not to give, yes, sir.

Senator DANFORTH. Was that the subject of some disagreement? Did you press forward and state your views with respect to Gorbachev and his situation?

Mr. GATES. I certainly did so within the Administration, yes, sir.

Senator DANFORTH. You also wrote articles about it, did you not?

Mr. GATES. I did before that occasion. I gave a couple of speeches in—or several speeches in 1986 and 1987 and 1988 stating my view of the Soviets that were not particularly well received.

Senator DANFORTH. And you also said in 1988, May of 1988 to the Austin Foreign Affairs Council that Gorbachev is setting loose forces that neither he nor the party will be able to control. And that contrary to their intentions and expectations, ultimately may bring a fundamental and welcomed transformation of the Soviet Union at home and abroad.

That turned out to be right, did it not?

Mr. GATES. Yes, sir, I think so.

Senator DANFORTH. You said yesterday in your opening statement that it is a humbling experience for an intelligence analyst, yourself, to be wrong on the Soviet Union. But I think you said some things that were right, before they happened.

In 1989, April 1989, you wrote "What Gorbachev has set in motion represents a political earthquake. He is a figure of enormous historical importance. The forces he has unleashed are powerful, but so are the people and institutions he has antagonized, thus setting in motion a tremendous power struggle." That was 2 years before the event.

You were cross-wise, were you not, with Secretary Weinberger with respect to your analysis of Soviet military spending. Would you tell us about that?

Mr. GATES. The Agency's analysts in, I think 1983, came to the conclusion that the rate of growth of Soviet military spending had begun to decline, and perhaps in areas like procurement had flattened altogether. This was at a time when we were engaged in a fairly major military build-up.

I pressed the analysts very hard on this, partly because I was fairly skeptical of some of our work on Soviet military spending to begin with. But they persuaded me that they had a strong case, and we published it. And it created something of a stir, certainly here on the Hill.

There were a couple of occasions the Agency published an assessment of Soviet chemical weapons capabilities, chemical warfare capabilities and plans that was published at a time when the Pentagon was seeking approval of binary chemical munitions up here that also was regarded as—shall we say—an unfriendly act by the Department of Defense.

Senator DANFORTH. Did they express that to you?

Mr. GATES. Yes, sir, they did.

Senator DANFORTH. Very forcefully?

Mr. GATES. Yes, sir.

Senator DANFORTH. Secretary Weinberger, himself?

Mr. GATES. I don't know that he personally addressed it, but I know that our analytical managers heard plenty about it.

Senator DANFORTH. And were you willing to hang in there with the analysis?

Mr. GATES. Yes, sir, we published it and stood by it.

Senator DANFORTH. Did you not also have a disagreement with Secretary Shultz with respect to Lebanon?

Mr. GATES. We felt—I have always felt that the Agency and the Intelligence Community's record back in 1982 and 1983 on Lebanon was a very good record, and frankly something of a courageous record. Because we were very pessimistic about the prospects for the achievement of U.S. objectives. In fact, as I indicated yesterday, one of our estimates started out by saying that the prospects for the achievement of U.S. objectives in Lebanon are bleak.

I remember at the National Foreign Intelligence Board meeting where that was considered, one of the military intelligence representatives spoke up and said he wanted to take a footnote. And I think Director Casey asked him why. And he said, well, I think the first sentence ought to read the prospect for the achievement of U.S. objectives in Lebanon is non-existent. And we finally agreed that bleak was a better way to put it.

But there were a number of occasions like this where the analysis challenged existing Administration policy.

Senator DANFORTH. How about with respect to the Philippines and the reforms of President Aquino? Is that another instance?

Mr. GATES. This is an area where I think that I probably proved once and for all that if I have any skill, it's as an intelligence officer, and not as a diplomat.

I believed that however well-intentioned, and however fine a person Mrs. Aquino was, that she was not making the fundamental reforms and changes in the Philippines to both significantly strengthen democracy, but more importantly address the economic and social problems of the country. And that it was going to engender further coup attempts, and future instability in the country.

The Department of State, and Secretary Shultz in particular, had different view of that.

Senator DANFORTH. Did they express that to you, their disagreement with you?

Mr. GATES. Yes, sir, quite directly.

Senator DANFORTH. How did that happen?

Mr. GATES. Secretary Shultz personally told me that he thought we were too pessimistic about the Philippines, and that the prospects there were much brighter.

Senator DANFORTH. What was your—what office did you hold at that time?

Mr. GATES. I was Deputy Director for Intelligence. And then also while I was Deputy Director of Central Intelligence.

Senator DANFORTH. How about with respect to verification of arms agreements. Have you sometimes been at odds with the policymakers in that regard?

Mr. GATES. Yes, there have been a number of occasions over the years where we, in intelligence, have had a more skeptical view both of compliance, but also of prospective verification capabilities in terms of agreements under negotiation that we have, I think, briefed candidly not only to the policymakers, but here on the hill.

In fact, I believe Senator Nunn has made reference to that in one of his appearances on television over the weekend.

Senator DANFORTH. I think, Mr. Gates, from your record it is clear that you are a person who is independent and that you call them as you see them. And if the Secretary of State or the Secretary of Defense have strong disagreements with you, that does not slow you down at all. The idea that you are a person who just sort of keeps your head down, for whatever reason, is a totally wrong interpretation of who you are, of who Bob Gates is.

Let me ask you a question about how intelligence analysis fits in with policymaking. I will just give you one example that, to me, is an interesting example.

Last winter, we were facing a vote in the Senate on the question of whether to authorize the use of force against Iraq—a very good debate, very hotly contested on both sides, good people expressing their points of view. And the key question that everybody was talking about was whether sanctions would work. Those who did not want to use force argued that sanctions would work. And other people said no, that there was no way that sanctions were going to work.

And we received briefings at that time from Agency personnel. And the question was put to them about sanctions, and how sanctions would work. And I must say that for quite a period of time, at least in my opinion, the briefings were of such a nature that anybody could read anything into the briefings. I mean you could hear this—two people could hear the same briefing, and one person would say well, the view of these experts is that sanctions are going to work. And somebody else would say well, sanctions are not going to work. I mean that is how I heard the briefing.

And it was almost, in my opinion, as though the bets were being hedged, or the analysis was being fuzzed up, or facts were being offered which were not necessarily relevant to determining whether sanctions would work. I mean we were really interested in whether ground troops were going to leave Kuwait because sanctions were in place. We were not interested in whether fortune cookies could be bought in the stores of Baghdad.

So that was one problem that I saw at that time, a kind of murky analysis where anybody could say anything as a result of it. Then, after a lot of pressure that was directed at the Agency, finally the view was expressed, well sanctions are not likely to get Iraq out of Kuwait. I mean maybe they will hurt the economy, hurt the civilian population, hurt the air force; but they were not likely to

extract these embedded ground troops out of Iraq. That was a kind of bottom line, getting all the murkiness out of the analysis, and giving us the bottom line.

As soon as that bottom line was expressed, immediately the rejoinder of those who had, in my opinion, made up their minds that they were against the use of force, their immediate rejoinder was well, the CIA has become politicized. The CIA, the Director, wants to cotton up to the President. They really want to say what Administration policy is, and justify it. And therefore, this has no credibility at all.

So, what I am asking you is, how can you, as Director, give us information which is clear and useful as the basis of decisionmaking, and at the same time, which is not going to be immediately discounted as being simply a statement of Administration policy?

Mr. GATES. Senator, I think that the provision of briefings and documents, intelligence assessments to the Congress on a continuing basis so that the people in the Oversight Committees, and in the other Committees that receive this material, have access to that on a continuing basis, as I have indicated previously, is one sure way of providing a safeguard on the integrity and objectivity of analysis.

I personally think that the analysts and managers at CIA who produce this intelligence do their level-best job to say exactly what they think. Sometimes that is too obscure. Sometimes it is not clear. Sometimes there isn't a best judgment. Sometimes those things aren't possible in certain—in situations of great uncertainty.

But I think that there should be no question about their basic integrity. But I think that provision of this material to the Congress is one safeguard.

I think the other safeguard, frankly, is certainly referring to the President who has nominated me, President Bush, is that this President wants the material with the bark off. He wants to know clearly the situation he is getting himself into. And I have never heard him complain if the intelligence is in a different direction than the policy is headed. He insists on having it that way. He occasionally will get briefings by people who have a different point of view.

So I think that the very nature of this President is a further assurance on that score.

And finally, I would say I think my own record as DDI, as Chairman of the National Intelligence Council, and as DDIC, in overseeing the publication of intelligence that is challenging to Administration policies, and my record of doing that—even before I became DDI—and a willingness to speak my mind, should provide some assurance that I am willing to stand up and be counted, and stand up and be heard.

And, you know, there are two aspects to this: one is the area that you are talking about in terms of the substantive work of the Agency. And I think that the record is clear of the Agency producing that kind of intelligence.

Now sometimes it has been wrong. And I think we should be willing to admit that sometimes it has been wrong. But it was honest. I remember one particular case, on Angola. One of the disputes that I had with Secretary Shultz was over the Agency's anal-

ysis of Angola, and my belief that dos Santos, given the pressures around him, was not interested in a negotiating process.

I think I was right in 1983, and 1984, and 1985. The fact that Mr. dos Santos is in Washington today, seeing the President, suggests that things change.

The other side of it is the side that Senator Metzenbaum raised. And that is the question of wrongdoing. I've acknowledged that as the new DDCI and having not served in the Clandestine Service, that I moved slowly on matters, those first few months I was DDCI. And that I did not press hard enough.

But I think that the record is clear, that as Acting Director, as Deputy under Director Webster, that I acted vigorously to deal with questions of wrongdoing, and I would only refer the Committee to its Chairman and its former Vice-Chairman in terms of the role that I played, and the relationship that we had, and their perceptions of how aggressive and vigorous I was in pursuing questions of possible wrongdoing or impropriety.

So I think, frankly, that the record is clear on both of those—although I acknowledge that during those few months that I was Mr. Casey's Deputy, I moved too slowly in involving myself on clandestine matters. But I think in both of these areas, and your line of questioning has brought out the intelligence side.

Senator DANFORTH. Mr. Chairman, I do not know how long I have been going on.

Chairman BOREN. You have about 6 more minutes.

Senator DANFORTH. Okay.

You are very close to President Bush. You have worked in the White House now for some time. He is a person who has served in the job for which you have been nominated. He is a person who is very knowledgeable about foreign affairs.

At first blush, it would appear to be a great advantage to have a Director of Central Intelligence who has a close, working familiarity with the President of the United States. I suppose that those who are concerned, particularly about politicization, could be fearful that maybe being close has its advantages, but it also has its disadvantages.

You have said that in your working with the President he wants analysis with the bark off. He wants objectivity. Do you believe that as Director of Central Intelligence you would be in any way coopted by virtue of your past relationship with the President?

Mr. GATES. No, sir, I don't. I've written—in some ways, this is in microcosm a problem that is broader for intelligence and policy. And that is, the basic question that has been with the Agency from its founding. Of how close does the intelligence agency get to the policymaker.

One part of that view is that you remain at a distance, and that a distance is the best place in which you can protect your objectivity and your integrity, and so forth. Speaking a little perjoratively, those are the circumstances under which you basically throw the intelligence that you think you ought to be doing over the transom, and hope that it bears some faint resemblance to something that somebody in the policy community may be interested in.

But the likelihood of being able to actually provide intelligence that is of value in the day-to-day decisionmaking is remote, if the

Intelligence Community is, itself, remote from the policy community.

I have the other view. My view has been all along, from the very beginning of my career—and perhaps it is due to the fact that I have served on the NSC—that the Intelligence Community has to be right next to the policymaker, that he has to be at his elbow. That he has to understand what is on his mind. He has to understand what his future concerns are. He has to understand what his agenda is. He has to understand some of the initiatives that he's thinking about taking. He has to be willing to ask the policymaker what he's working on, or what came out of his last conversation with a world leader so that the intelligence can be made relevant; so that the director, or the office director, or whatever level with a corresponding policy officer can go back and give guidance to the analysts. These are the questions that they are asking. This is what is of interest to them. This is when the briefing book closes. The President is going to take this trip. These are the kinds of issues that are going to be addressed.

I think that having a Director who has a close, personal relationship with the President offers a unique opportunity for the Intelligence Community to provide relevant intelligence and sharper intelligence to the policy process—and frankly, also, to the Congress.

Senator DANFORTH. Let me just ask one more question. Now Mr. Gates, it is the reverse of the prior one, not so much how you deal with people up the chain, but how you deal with people down the chain.

In one of the newspaper articles—I think it was a New York Times article this past week—some unknown person said that you were capable of intimidation. In receiving your own information, how do you deal with people who are down the line from you? Is the CIA going to be—under your directorship—is it simply going to be a rationalization for Bob Gates' basic view of the world? How do you guard yourself against maybe not being open to what the thoughts, and what the advice and the analyses are of people who are working in the Agency?

Mr. GATES. Well, Senator, I would concede that I am probably not the easiest person in the world to work for. I am fairly demanding. And I am probably, at times, more direct than I might be in terms of people's egos.

But fundamental to my approach to analysis, and it begins with the article that I wrote in 1973, is my belief that the policymaker must be exposed to alternative points of view; that all points of view have to be heard, and they have to be presented.

And I—on this—I'll give you one example that happened, that I was reminded of just the other day by the former Director of Soviet Analysis. It concerned the question of the possibility of unilateral Soviet cuts. This was 2 or 3 years ago—maybe 3 years ago—and I was testifying before this Committee, and expressing my view that I didn't think it would happen. And then Mr. MacEachin came in. I was late to the hearing, and I invited him to come to the table and express his view, and the Office of Soviet Analysis view, which was precisely the opposite, that they thought that the Soviets would offer some unilateral cuts. They were right, and I was wrong.



But I have always believed in alternative analysis. I believe that if you look at the record of intelligence failures over the last 20 years, in virtually every instance, it is because there was a single-outcome forecast. It is going to be X or Y or Z, instead of telling the policymaker—look, we really don't know how this is going to come out. Here are the possibilities, and here is our best estimate.

One of the major initiatives that I had when I was Deputy Director for Intelligence was getting CIA analysts out of the building and talking to other experts outside of CIA, outside of the U.S. Government, specifically telling them to go talk to people that they knew disagreed with them. That's my view of how the intelligence business ought to be run; and it's my view on how I ought to do my own work.

We are going to end up talking here about some papers, at some point, particularly with respect to the attempted assassination of the Pope. It was in connection with that paper that I, then, ordered one of the officers to write an attack on the paper we had just published. And then asked the product evaluation staff to go back and review the entire record of how we had done on that problem.

So I—the way I would characterize myself is as a person who has strong views, but I am open to different interpretations. And I also recognize, and am willing to acknowledge, when I have been wrong.

Senator DANFORTH. Thank you, Mr. Gates. Thank you, Mr. Chairman.

Chairman BOREN. Have you completed, Senator Danforth?

Senator DANFORTH. Yes.

Chairman BOREN. Our next questioner for a 30-minute round of questions will be Senator Bradley, the Senator from New Jersey.

Senator Bradley.

Senator BRADLEY. Thank you very much, Mr. Chairman.

Mr. Chairman, Mr. Gates, yesterday you were rather disarming in admitting error when you said you should have taken more seriously the possibility of impropriety or even wrongdoing when you said that you should have been more skeptical; when you said you should have pressed harder.

And I am just curious now, 5 years later, as you reflect on those failures, tell me why do you think they occurred? In other words, what part of you did not assert itself?

Mr. GATES. I think I was too cautious in approaching the Clandestine Service, Senator, and also in deferring to Mr. Casey's special relationship with the Clandestine Service. Having grown up in a different culture, in the analytical culture, knowing that there were some strains, and perhaps even a measure of mistrust of me in the Clandestine Service, I paid attention to other aspects of the work, and did not press these issues.

I think that if one of the—I think the salient lesson that I learned out of Iran-Contra was that other parts of the Intelligence Community can cause controversy. But it seems like the Clandestine Service is the only part that can cause real trouble. And therefore, that what I described as the unique relationship between previous DCI's and the Clandestine Service, in fact on reflection, I think is an understanding of that, of what I've just described

on the part of those Directors, and the need to pay special attention to the Clandestine Service.

Senator BRADLEY. But looking at yourself, really, and being a little introspective, what do you think it was a failure of?

Mr. GATES. Well, Senator, I can describe a lack of aggressiveness with respect to the Clandestine Service at that time. I don't see it as a reflection of some sort of deeper, personal problem, or issue, if you will. I don't think that the characterizations that I was concerned for my career are accurate, for example. As far as I was concerned, I had reached the high point of my career. I had never expected to get that high in the Agency. So I don't think that was part of it.

Senator BRADLEY. Well, the reason I ask is to see how you've reflected on it, and what conclusions you've learned and what you have drawn for yourself from the experience.

Mr. GATES. Well, I've indicated yesterday, and I think today, certainly the specific lessons in terms of Iran-Contra, and I think also indicated that I began to apply those lessons very quickly after the Iran-Contra matter happened. It also, I think, was reflected in the fact that I, as Acting Director, engaged myself much more in the Clandestine Service at that time.

Senator BRADLEY. Okay.

When George Shultz appeared before Iran-Contra, the Committee, he said that he had grave doubts about intelligence coming from the CIA, long before the arms sales and diversion. Now, what do you think he was referring to?

Mr. GATES. I think he was referring to the Philippines, to Angola, to a degree to the Soviet Union—some of the issues that Senator Danforth raised.

Senator BRADLEY. If we could, I would like to go back to what was basically the strategic rationale for the Iran-Contra operation, SNIE 3484, which—

Mr. GATES. Yes, sir.

Senator BRADLEY [continuing]. Which, as you know, we have talked about this on previous occasions.

This was really initiated by the National Intelligence Officer for the Near East and Southeast Asia. But you were the manager of the memorandum. And this was a memorandum that basically stated that Soviet inroads were being made in Iran. And excluded from the final memorandum was both the Soviet section of the CIA, and the Iranian section of the State Department.

So a memorandum was produced that excluded certain key contributors to the process. About 1 month later, in June of 1985, the Soviets removed the remaining 1,000 technicians; they ceased all deliveries, and they reaffirmed their insistence on Iranian negotiations with Iraq, as the way for improved relations.

Yet, this estimate really was not changed until February 1986. How do you explain that? And in the interim, of course, Iran-Contra was born.

Mr. GATES. Yes, sir.

Senator, the estimate that was produced at the end of May 1985 was one of a series on conditions in Iran, and Iranian foreign policy. An earlier one had been done in October 1984, and as you have suggested, there was another in February 1986.



This estimate had two fundamental points: one was that the internal situation in Iran was worse than people had anticipated, and raised the possibility of significant tumult before Ayatollah Khomeini died; the other was that these conditions created the circumstances in which the Soviets might make significant in-roads at the expense of the West and the United States, in particular.

The first of those points was a direct outgrowth of an estimate, or of an assessment done by a Directorate of Intelligence analyst in late March of 1985, in terms of—and, in fact, the person who wrote the March DI assessment is the same one who was the drafter of the SNIE.

The second point really was an outgrowth of several events that had been reported in mid-May in the National Intelligence Daily, and they included—that included the fact that Khomeini had sent an emissary to, or sent a message to the Soviet leadership, to Gorbachev, urging an improvement in relations. The Iranians had gone through the Syrians to the Soviets to try and get weapons. And they had also gone through the Syrians to try to get access to the KGB to find out the reaction to the original Khomeini message to Gorbachev.

So there were several things happening that gave the NIO and others some sense that the Soviets were going to press ahead.

When the estimate was brought to the National Foreign Intelligence Board, there was only one issue at the Board, according to the records of the meeting. And that was the representative of the Bureau of Intelligence and Research at the State Department felt that the estimate over-stated the seriousness of the internal situation in Iran. The issue at the NFIB meeting was not the Soviet situation, but the internal situation in Iran. And there was a lot of going back and forth on that particular issue.

There was a disagreement, I later learned, in CIA with the estimate's views on the Soviet—the potential for Soviet achievement. But the analysts weren't excluded from involvement in the estimate. They simply did not have their views accepted. And for reasons that are not clear to me, those analysts not only did not come to me, they did not go to their immediate supervisor, the Director of Soviet Analysis, to protest that their views were not being taken fully into account by the National Intelligence Officer. So I was unaware of this dispute, and the fact that the CIA Soviet Analysts felt their views hadn't been fully taken into account.

Senator BRADLEY. And that's why there was no alternative view presented?

Mr. GATES. On the Soviet issues, yes, sir.

Senator BRADLEY. And why on the Iranian issue was there no alternative view?

Mr. GATES. There was a long discussion at the Board meeting about that; some changes were proposed in the language to try and satisfy the INR representative. I spoke about it. Mr. McMahon spoke. General Odom of NSA spoke. I think the Director spoke—all trying to say don't the changes that we've made accommodate the view that you all have?

The INR representative said no. And Mr. Casey said fine, take your footnote. I think at some point, after that, I'm—my own memory is vague on it—but I apparently called Ambassador

Abramowitz and talked him out of the footnote. My view was that the footnote that—the change that had been made in the estimate was sufficient that the footnote was kind of pointless.

Senator BRADLEY. But you did call and urge him not to put the footnote in?

Mr. GATES. Apparently so, and I was successful in persuading him that it was not—did not add to the policymakers' knowledge on this matter.

Senator BRADLEY. So that there was no alternative view presented.

Mr. GATES. That is correct. Because I felt that the view that they had, as they had written their footnote, really didn't represent an alternative view.

Senator BRADLEY. Do you think that in retrospect you were right or wrong to do that?

Mr. GATES. Well, normally, my practice was to encourage footnotes, although I did, on occasion, call people to try and discourage footnotes that I thought were frivolous, or did not help the policymakers' understanding of the problem.

Frankly, it was a matter that was of not very much importance to me from a substantive standpoint. And I believe that there certainly wouldn't have been any harm in having the footnote. But I don't think, based on my recollection, that it would have advanced the cause very much.

Senator BRADLEY. Okay—

Mr. GATES. Senator, if I might just add, because these estimates have been a source of some controversy, there is one basic point that was present in all three of those estimates: October 1984, May 1985, and February 1986. The one point that did not change in the context of Iran-Contra was that all three of those estimates consistently said that there was no element in Iran interested in doing business with the United States.

Senator BRADLEY. Okay, I would like to move, if I could, to the role of the DCI.

Do you agree that the DCI and CIA should not publicize one-sided views of strategic issues?

Mr. GATES. Yes, sir.

Senator BRADLEY. Do you agree that the DCI and CIA should not publicize, or should not participate as advocates in policy debates?

Mr. GATES. Yes, sir.

Senator BRADLEY. So you agree with President Bush who is a former DCI in enjoining the DCI and the CIA from even appearing to take sides in policy debates?

Mr. GATES. Yes, sir.

Senator BRADLEY. If that is all true, what I would like you to do is to explain the speech you made to the World Affairs Council in Northern California on November 25, 1986, which was a real piece of advocacy for SDI. And I would like to focus, in particular on the basis for some of the things that you said in that speech.

In the speech, it is true, is it not, that you publicly predicted that a Soviet ground-based laser device would be tested in the 1980's at high energy levels that would show the feasibility of ballistic missile defenses?

Mr. GATES. I assume you have the text in front of you, so I'll agree.

Senator BRADLEY. Okay.

Senator DANFORTH. Mr. Chairman, could he be given the text so that he does not have to agree with something he has no idea about?

Senator BRADLEY. Well, let me repeat the sentence.

Chairman BOREN. Perhaps the Senator could read it.

Senator DANFORTH. Mr. Chairman, I wonder if he could be given the entire text so he could see it?

Chairman BOREN. Is the Senator willing to have him have that?

Senator BRADLEY. What is the time, Mr. Chairman? I have a whole series, and I would be willing to give him the text of the speech and come back to this subject in the next round.

Chairman BOREN. You about 20 more minutes.

Senator BRADLEY. I would be pleased to give it to him. He can have it. I am sure he has it in his file. This is something we have talked about before. And he can look at it in full, and I will come back to this subject in the next round.

Chairman BOREN. Does the nominee feel he is familiar enough with the speech if Senator Bradley would quote from it, or read parts of it?

Mr. GATES. I appreciate what Senator Danforth said. But I think we can go ahead.

Chairman BOREN. He thinks he can go ahead. Why do you not read from it, and then if there is a point that he needs to see, we can hand it back and forth, anyway.

Senator BRADLEY. Okay.

You say we expect the Soviets to test the feasibility of ground-based lasers for defense against ballistic missiles by the late 1980's, and could begin testing components for a large-scale deployment system in the 1990's.

So the question is, were you wrong? Did any such test take place in the 1980's?

Mr. GATES. I don't know the answer to that, Senator. I'd have to check. I gather from the nature of your question that it probably didn't. But I'd have to check to make sure.

Senator BRADLEY. Okay, well take my word. [General laughter.]

Was your unqualified prediction here based upon a full reading of all of the intelligence information available to you? Were there any uncertainties that you glossed over?

Mr. GATES. Senator, it is worth taking, I think just a moment, to describe how I developed the speeches. Because I assume that you are going to have some other questions about them.

My speeches would begin by gathering information from the intelligence product. I would gather intelligence assessments, current intelligence, and so on. And then from that, develop a speech which I would then share—I would share the draft with various analysts and managers in the Agency to get their views, and see whether I was in the ballpark.

The particular speech that you're talking about on the Soviet SDI program, Soviet Air Defense and Strategic Defense program, I drew from a DIA white paper, an unclassified DIA paper on Soviet SDI and strategic defense from the current issue of Soviet Military

Power, and from a White Paper prepared by a CIA analyst in the Office of Scientific and Weapons Research. I didn't make that stuff up. I guarantee you, I wouldn't know a ground-based laser from a shoe-shine box. But—so that material was drawn, presumably, from one of those papers.

Senator BRADLEY. But it was a very strong case of advocacy for a billion, billion, billions of dollars of defense expenditures.

Mr. GATES. What I was trying to do in that speech, Senator, was outline what I believed to be the comprehensive nature of the Soviet Strategic Defense Program, the degree to which they had spent, themselves, many tens of billions of dollars on strategic defense, in a situation that left them potentially with a strategic advantage over the United States, because they had a strategic defense, however flawed, and we had none.

Senator BRADLEY. My point is really not to debate SDI but to ask you why you choose to emphasize the more alarming aspects of the intelligence information, as opposed to the more reassuring aspects of the intelligence information. There were embodied in the intelligence information a lot of reassuring aspects that would not lead one to the conclusion that you drew and that you spoke publicly about the need to build the SDI in the United States or about Soviet development.

So my question to you is why did you choose to strike the more alarming pose, as opposed to the more reassuring pose. Was it that you just felt very strongly about this, or was it that you were, essentially, trying to support an Administration's policy view?

Mr. GATES. I was not intentionally trying to support the Administration's specific policy. The SDI program idea was more than 3 years old by that time.

What I was trying to do was highlight an area of Soviet advantage that I thought had not received sufficient attention prior to that time. I may have erred on the side of focusing on the concerns. But it was a speech that, as I say, was shared with a number of analysts within the Agency before I gave it.

Senator BRADLEY. So, would you today say that you think that was a mistake to have done?

Mr. GATES. Senator, one area where I have changed my views since we last had a dialogue on this subject in February, 1987, has to do with speeches by the DCI, substantive speeches.

I believe that occasionally those speeches have value. I think that the speech that either Admiral Inman or John McMahon gave in the early 1980's about technology transfer was an important contribution. I think that the speech that Judge Webster gave about proliferation was important. But, by and large, I think that the DCI should avoid giving substantive speeches, particularly those where there is a risk of the speech being misinterpreted as advocacy of a policy.

I think that the DCI should speak publicly. But I think he should speak about intelligence issues and try and inform the American people. This is an area where I, frankly, have changed my view and believe that such, that substantive speeches should be given sparingly.

Senator BRADLEY. So you wouldn't do that again?

Mr. GATES. No, sir. I don't think I would.

Senator BRADLEY. I'd like to turn to Iraq, if I could.

Could you give me the intelligence basis for the Administration's response to the gassing of the Kurds? Do you recall, August, 1988?

Mr. GATES. My recollection, Senator, was that the intelligence was pretty good that the Iraqis had, in fact, gassed a number of Kurdish villages. I think there was some controversy over the nature of the gas and how lethal it was and so on. I'm trying—it's a little vague.

Senator BRADLEY. What was the basis for the kind of lukewarm response, I mean, you know, opposing it but, at the same time, not opposing it strongly?

Was there a basis in intelligence for that? Was there something about Iraq?

Mr. GATES. Not that I'm aware of, Senator.

Senator BRADLEY. So there was no intelligence basis for the position?

Mr. GATES. I think that the intelligence was fairly clear that there had been a gassing.

Senator BRADLEY. But in terms of the policy response here?

Mr. GATES. Well, I'm not quite sure what you're asking me.

Senator BRADLEY. Well, let's go down. Let's do another one and you'll get the drift.

We passed an amendment here in the Congress in, I think, 1988, that applied unilateral sanctions to Iraq. This was, I think, after the gassing. The Administration fought to delete those unilateral sanctions in the conference, and succeeded in doing so.

Was there an intelligence basis for the effort to delete unilateral sanctions against Saddam Hussein?

Mr. GATES. No, sir. I don't think so.

Senator BRADLEY. So the effort to delete them was not based upon any information about his intentions?

Mr. GATES. I think it was based on policy considerations.

Senator BRADLEY. Now, could you tell me, in 1988, Iraq routed Iran, if you recall, and you were the Deputy DCI at that time. Is that not correct?

Mr. GATES. Yes, sir.

Senator BRADLEY. Isn't it true that you refocused collection and analytical resources away from Iraq toward other issues and areas of concern after that routing?

Mr. GATES. Once that war was over, we probably did do some reallocation of resources. Yes, sir.

Senator BRADLEY. So you moved them away from watching Iraq and the Persian Gulf to other areas.

Mr. GATES. Our concentration on the Iran-Iraq War had imposed some limitations on our satellite capabilities in terms of some long-standing problems in the Soviet Union and elsewhere. And so, the war was over, we tried to address some of those issues and problems.

Senator BRADLEY. And as the Chairman of the NSC's Deputies Committee, you were responsible for policy guidance and tasking of the Intelligence Community. Is that not correct?

Mr. GATES. Not in that kind of direct chain of command way. Certainly, the Deputies Committee, Mr. Kerr, the Deputy Director

of Central Intelligence, sits as a member of that group and participates in its deliberations.

Senator BRADLEY. What I'm getting at is here was the end of the war, Iraq was still a problem, at this point admittedly the most powerful country in the region, and we moved our intelligence resources elsewhere; that Iraq had not demobilized, to the contrary, increased its aggressive attempts to get strategic materials, and actually began to revive ties with terrorists.

Now, my question to you is was that a wise thing to have done?

Mr. GATES. I believe the intelligence assessment that was done in 1989, Senator Bradley, stated the view that Saddam Hussein and Iraq would be spending the next several years more likely than not engaged in rebuilding. Iraq had taken a fairly heavy pounding in the war, even though they won it and had the kind of capabilities that you're describing. But there was an intelligence assessment that suggested that they would be focused on rebuilding for the next 3 to 5 years and not turning toward external aggression.

Senator BRADLEY. And that it was likely that they would not use military force?

Mr. GATES. Yes, sir.

Senator BRADLEY. Were you responsible for directing this?

Mr. GATES. That assessment?

Senator BRADLEY. Uh-huh.

Mr. GATES. No, sir. I don't think so.

Senator BRADLEY. In terms of coordinating it at the NSC?

Mr. GATES. No, sir. Those assessments are not coordinated at NSC.

Senator BRADLEY. Let me ask you, aside from the CIA's unauthorized role in the shipping of U.S. made/Israeli owned arms to Iran in 1985, have you been aware of any other covert activities by the CIA that were not authorized by a Presidential Finding?

Mr. GATES. No, sir. I don't believe so.

Senator BRADLEY. When you were the Deputy DCI, were you responsible for the activities by the CIA to implement the Administration's policy of strengthening Iraqi military capabilities against Iran in the spring of 1986?

Mr. GATES. I certainly was aware of the passage or sharing of intelligence with Iraq. Yes, sir.

Senator BRADLEY. And you were responsible for the CIA portion?

Mr. GATES. It was undertaken by the Directorate of Intelligence. Yes, sir.

Senator BRADLEY. Were these activities confined to intelligence sharing intended solely for obtaining necessary intelligence under the terms of the law?

Mr. GATES. I think that in the context of the broader liaison relationship that, as that has traditionally been interpreted, that the materials that were provided fell within the context of that liaison relationship.

Senator BRADLEY. Would you describe to me your understanding of the law at that time, the so-called Hughes-Ryan Amendment.

Mr. GATES. My understanding, Senator, is that the law is fairly vague on, as it pertains to liaison relationships.

Senator BRADLEY. So what is your understanding of the law as to what was allowed?



Mr. GATES. My understanding is certainly the view in the Agency at the time was that the material that was provided to Iraq was allowed within the context of the law and—

Chairman BOREN. Let me caution both the witness and the questioner that we are verging on classified information in terms of that which we cannot discuss in open session. I think we all realize that we will discuss in closed session any matter of sharing of any intelligence. Getting down to the specific substance of what intelligence was shared or not shared with any other country, we have to be very cautious about discussing that in open session. So I would ask both of you, if you could, to keep your comments in the abstract and not related to particular matters of what might or might not have been shared with any particular country. If we could, keep it to the abstract question and the question of law.

Pardon the interruption. I may have broken the chain of thought.

Senator Bradley, do you want to restate your question? I think I've broken the chain of thought here.

Senator BRADLEY. Mr. Chairman, I recognize that much of this will be discussed next week in the closed session. But I was just trying to get Mr. Gates' view of what the law meant, since he was the operational person, the Deputy Director at the time.

Mr. GATES. Yes, sir.

My understanding was that the material that was being provided was allowed under the law.

Senator BRADLEY. Can you, in your own mind, be absolutely clear that there was no covert action?

Mr. GATES. I believe that there was not under the interpretation of that law.

Senator BRADLEY. Well, we can't go any further here.

My half hour is up, Mr. Chairman, though I do have a couple of other areas.

Chairman BOREN. Why don't you go on for another 5 minutes. It's understandable that we may have to come back to several Senators for more questions.

Senator BRADLEY. Okay.

Another area of real importance in the world, of course, in the new world, is China. I recall an exchange we had back in 1986, in the Committee, when I think Defense Secretary Weinberger and I think Roz Ridgeway and General Perroots and a number of other people were testifying and you were testifying. We were talking about the Soviet Union, and I basically asked you well, you know, let's throw conventional wisdom aside. Can you imagine any kind of significant change in the Soviet Union? What kind of intelligence data, what kind of work should the Intelligence Community be doing to equip policy makers with the information that they might need if that event took place?

In 1986, you responded, "Quite frankly, I am without any hint that such fundamental change is going on. My resources do not permit me the luxury of sort of just idly speculating on what a different kind of Soviet Union might look like."

Now, a lot of water is under the bridge. Things have happened. Here is another Communist nation, China. Will you be idly speculating with China? Will you be trying to think through what hap-

pens there? What have you learned from your kind of reticence to entertain the unthinking at a time when conventional wisdom said it was unthinkable and then finding that it became reality?

Mr. GATES. Senator, I think it did not take until 1991 to pick up on your suggestion, and I think we did go out subsequently, perhaps not immediately, and began talking about different kinds of futures for the Soviet Union. I think that a couple of papers were, in fact, commissioned along those lines.

Clearly, I think that we've all learned some important lessons from the events of the last 3 or 4 years in terms of thinking the unthinkable. And, clearly, we need to be thinking about alternative futures for China as well. I think that that work should be under way if it is not already under way.

Senator BRADLEY. But my question to you is what would you do differently now to catch that kind of change in China that you did not catch in the Soviet Union?

Mr. GATES. Part of the problem is being able to measure broad, popular sentiment and overall conditions in a country that is fundamentally a difficult place in which to travel or to gather information or to talk to people.

Now I know lots of travelers go to China. Lots of travelers went to the Soviet Union. But it certainly is an environment in which people are afraid to talk and often afraid to be candid.

I think more can be done through expanded human intelligence collection. I think part of what can be done is simply to insure that people are thinking about these problems, that they are sitting down and trying to identify here are what the different alternative paths may be historically for this country and here are the indications of what we might see if the country were moving in one or another of those paths. Those indications would then perhaps provide a guide for collection.

I think we did some of that on the Soviet Union, almost certainly not enough.

Senator BRADLEY. So more broad path analysis?

Mr. GATES. Yes, sir, and I think also more human intelligence collection.

Senator BRADLEY. If I could, on the issue of economic intelligence, do you think that we should do more economic intelligence?

Mr. GATES. I think that economic intelligence, Senator, is something where we need to proceed with some care. I know that there's a lot of concern about doing industrial espionage, if you will, and I, frankly, don't think that U.S. intelligence should be engaged in that.

I think there are two areas where we should do economic intelligence. One is in gathering and reporting information where other countries are not playing by the international rules, where they are colluding with their industry in ways that disadvantage U.S. industry unfairly—in other words, collecting and reporting information that will help our policy makers level the playing field in a policy sense.

The second area where I think we ought to be aggressive and even more aggressive than we are is in responding to the actions of foreign intelligence services directed against U.S. companies and U.S. technology. We know that foreign intelligence services plant



moles in our high tech companies. We know that they rifle briefcases of our businessmen who travel in their countries. We know that they collect information on what we're doing, and I think that CIA and the FBI, working together, should have a very aggressive program against it.

So those are the two areas where I think we need to be more aggressive in economic intelligence.

Senator BRADLEY. If I could, other than former Communist countries, for how many countries do you have evidence of such espionage against U.S. businessmen?

Mr. GATES. Well, I will check, but I can think of two off the top of my head.

Senator BRADLEY. Okay. I think that's right.

Now, let me ask you, when you talk about economic espionage, you are not talking about the service being used to ferret out commercial secrets for the benefit of American companies?

Mr. GATES. No, sir. I don't think that's an appropriate role.

In fact, a case officer once told me, he said, "I'm not afraid to risk my life for the United States, but I won't do it for" and he mentioned a U.S. company.

Senator BRADLEY. That makes two of us, Mr. Gates.

Thank you very much, Mr. Chairman.

Chairman BOREN. Thank you very much, Senator Bradley.

There is one question I would like to interject really for the point of information. One of the purposes of this hearing, or I might say one of the opportunities, not a purpose, of this hearing is not only to examine the qualifications of this nominee and to look ahead in terms of the future of U.S. intelligence, but it provides an opportunity I think all of us welcome, both on the Oversight Committee and in the Intelligence Community, to try to educate the American public about the nature of intelligence.

I'm sure that those who have watched these proceedings over the last several hours have gained some new insight into the intelligence process. This is very healthy. This is, as the nominee has said, a process for which the American taxpayers are footing the bill.

Therefore, it is very appropriate that they should learn as much about this process as we can possibly make available to them.

In the course of your testimony—Senator Nunn and I were discussing this—very often you've talked about the clandestine service, the Directorate of Operations and you've talked about the analytical side, the Directorate of Intelligence.

One of the things that I certainly was not fully aware of when I came on this Committee was the distinct difference of the two. I thought of the CIA as being the CIA, a more or less monolithic intelligence community.

I wonder if you might describe the roles and functions very briefly of the two. You referred to the two cultures at one point in time.

Mr. GATES. Yes.

Chairman BOREN. But I'm not sure that those who have been observing us outside the community really understand what we're talking about. I think it would be helpful just to put that into the record so that people can have an understanding of that as we proceed. What are the differences between the two sides of the

Agency? In essence, what are their different roles? Therefore, what are the kinds of abilities and capabilities that people tend to have on the two sides of the service?

Mr. GATES. I might just start, Mr. Chairman, by saying there are four Directorates in CIA: one for administration, one for Science and Technology, one for Operations and one for Intelligence.

The Operations Directorate is charged, primarily, with the clandestine collection of human intelligence. This is the Directorate that sends case officers overseas and is really the home of what most people generally think of when they think, frankly, of CIA and intelligence in general. That's the spy business: recruiting agents, getting information on other countries' military programs, and basically bringing that information back to Washington. That directorate is also responsible for implementing covert action and for carrying out covert actions. That can be as simple as political action, to help a country where one of our adversaries is funding a ruling party and we're trying to get elections started and trying to help a democratic force. It can be actions relating to terrorism and so on—but, in any event, the implementation of covert action.

The Directorate of Intelligence is responsible for gathering intelligence information from a variety of different sources. Human intelligence is one, but also diplomatic reporting, information from technical sources, photographic satellites and others, overt information from foreign broadcasts and journalists, journalism, newspapers and so on—integrating all of that information and reporting its finding to the policy community and to the Congress.

So its basic role is an analytical one.

Most of the people—until recently, until fairly recently, there has been very little contact or very little exchange between the two Directorates. They really are two separate cultures. And, frankly, for a long time, there was a lot of suspicion between the two of them. And, certainly, each held at arms length and occasionally even not the highest regard for each other.

But I think that has begun changing over the last several years. As I indicated, one of the things that I did as DDI that I was proudest of was recruiting Bob Ames to be head, from the clandestine service, to head the Near East office on the analytical side.

One of the greatest strengths that the clandestine service officers bring to their jobs that the analysts don't have is what I referred to yesterday as "ground truth." They've lived in these countries. They know the players. They know the culture. They've had experience there, and they have a sense of the local politics and the local environment in a way that analysts, even those who travel routinely to the area, can't have.

By the same token, the analysts often have a much broader background in the history of that country or of the region. So each brings very different strengths to the intelligence process.

The effort to get them to cooperate more closely has been ongoing for a number of years, but I would say has really made headway perhaps just in the last 3 years or so.

Chairman BOREN. I think that's useful to know. You're dealing obviously with very different types of personalities. The training on the analytic side is primarily what we view as more academically oriented training, more or less like an academic discipline, I would

gather. Some of us have had the opportunity to see some of our junior new operations officers and recruits being trained on everything to how you communicate surreptitiously and other things.

So am I right to say that usually you find very different kinds of personalities in the two fields as well, people with very different kinds of inclinations about what they like to do?

Mr. GATES. That is often the case. Yes, sir.

Chairman BOREN. Thank you very much.

I want to turn now to close out our morning session to Senator Rudman.

Let me just say, as a matter of schedule, when we come back this afternoon at approximately 1:30, we'll begin with Senator Cranston, and this will be the order: Senator Cranston, Senator Gorton, Senator DeConcini, Senator D'Amato, Senator Glenn, Senator Chafee, and then Senator Hollings will complete our afternoon session. Then, if there are any problems or if any of those wish to make changes in times or exchange with another Senator, please let me know.

Senator Rudman.

Senator WARNER. Senator Rudman, would you yield to me for one minute?

Senator RUDMAN. I'd be pleased to yield to the Senator from Virginia for a minute.

Senator WARNER. Thank you very much.

Senator Bradley led off his line of questioning asking you about the misjudgments that you have freely disclosed to the Committee and what it was in the composite of your personality at that time that led you to make the misjudgments. And you answered.

But it seems to me there's an important follow-on question. People who aspire to lead constantly learn by their experience.

Give us your thoughts of how you have advanced in your learning process since 1987, when you were last before us.

Mr. GATES. Senator, I think that working with Director Webster for 2 years, almost 2 years, was a very beneficial experience for us. His expertise, both as Director of the FBI and as a judge before that, brought experiences to me that I hadn't had.

One of the things that I always admired Director Webster for was a management technique that I have tried to learn from him, and that is that when you want to make a change in an institution that you want to be lasting, you bring in the people, the careerists, you tell them what your objective is, and then ask them to come back to you with proposed solutions on how to get to where you want to go; so that the bureaucracy feels like the change is a product of its own work, not something imposed from above.

I've seen too many senior people come into government, impose change, and watch it all disappear the minute they walk out the door. I think it's a technique that Director Webster has that has the potential for truly making lasting change in a bureaucracy.

So that is a very important management lesson that I learned from him. And, frankly, looking at the list of initiatives that I mentioned in my opening statement yesterday, when the time comes, if we go forward with that, if I'm confirmed and a number of those different projects get under way, that's a technique that I intend to use.

I clearly have learned a lot working for the President and with General Scowcroft and Secretary Cheney and Secretary Baker over the last 2½ years, almost 3 years, both in terms of their needs for intelligence, how they use intelligence, how they view intelligence, and how it could be made more useful to them.

So that experience, as well as really occupying a policy position at a level that I had not occupied before, I think, has given me even better insight into how intelligence can be improved and how it can be used better by the policy community.

Senator WARNER. I thank the witness and I thank my friend for yielding.

Senator METZENBAUM. Mr. Chairman?

Chairman BOREN. Senator Metzenbaum?

Senator METZENBAUM. Mr. Chairman, I just want to say to my colleague and friend, Senator Rudman, who I know is about to commence his questioning, that he has been very patient and has been present while I went through a line of inquiry.

There is an amendment on the floor that I am handling and I am leaving. But it not out of disrespect. I will follow the record and I apologize for not being present, because I think there will be some gems of wisdom that I will be interested in hearing.

Senator RUDMAN. Mr. Chairman, I have no questions. [General laughter.]

Chairman BOREN. The Senator from New Hampshire, are you ready to proceed?

Senator RUDMAN. Thank you, Mr. Chairman.

Mr. Chairman, I was reminded by my friend from Maine, Senator Cohen, of a restatement of an oft-stated principle recently by the President of Harvard University, who said that it was an imperfect world and there were many imperfect people within that world.

Chairman BOREN. The presidents of Harvard should be fully informed about that, I would think. [General laughter.]

Senator RUDMAN. Most Yale graduates do feel that way. [General laughter.]

I was struck by the fact, sitting here yesterday, last evening, and again this morning, that this has certainly been true on both sides of the table that the nominee sits at this morning.

By his own statement, there have been imperfections in his judgment. By the same token, I would say that there are a number of Senators, possibly all, who have failed to recognize the need to take action at difficult times and who, in retrospect, would have acted differently with the benefit of hindsight. And yet, we sit here, under our system, in judgment of this man, trying to set a standard of competence and integrity that we're willing to accept.

I think it's important for us to recognize that in making that judgment, we ought to temper it with some understanding of the situation Mr. Gates found himself in during the time periods we're talking about. I think to some extent the one thing that was not in Mr. Gates' answer to Senator Warner, but I think we would all recognize, is that he is now chronologically 4 years older, emotionally maybe 30 years older, since that time in 1986 when this first broke.

I just wanted to start off with those comments.

I also want to thank Senator Cohen for his presence and for his being one of the most incredible staffers I've ever had. [General laughter.]

Senator COHEN. I thought you were in need of that assistance, Senator Rudman. [General laughter.]

Senator RUDMAN. Senator Cohen has a whole new vocation if he chooses not to run over and over again. He would be hired by any Member of this Committee on either side.

He gave me some wonderful quotations to use. He was referring to Homer in particular. I said to him, "Bill, if you quote Homer, people expect it. If I quote him, they'll laugh." So I won't quote Homer. [General laughter.]

Mr. Gates, I want to just take you over, unfortunately, some of the ground that's already been covered. I had hoped during this first round to talk more along the lines that Senator Bradley has spoken in terms of the whole thrust of what the Agency does and where you want to take it. But I feel it is important—because of the lack of institutional memory on what happened in 1986–1987—at least to go over some of the ground that my friend from Ohio, Senator Metzenbaum, covered earlier. So I'm going to do that and ask for some of your comments on it. There are a few areas that I think need some emphasis here to keep this record straight.

Senator Metzenbaum referred during a long series of questions both last evening and this morning to a November–December—I don't know the exact date—appearance of yours before the Senate Intelligence Committee in which you made known your strong feelings about notification. Then, in the questions following that narrative, there was the suggestion that somehow you were disingenuous to the Committee, that you, in fact, misrepresented to the Congress your point of view because, at the time that you were doing that, you were aware of an unreported Finding.

You're familiar with that line of questioning?

Mr. GATES. Yes, sir.

Senator RUDMAN. I want, for the record, to refer to Iran-Contra Exhibit JMP-28, which is on the White House stationery and dated January 17, 1986. I might say, parenthetically, I hope that some day I will never have to talk about this subject again. But I guess it just keeps coming up. It's almost like a typhus epidemic in that anybody within 5 miles of the germ either died, is infected, or is barely able to survive. So I guess we're back in that mode again.

The January 17 White House exhibit I have in front of me was a memorandum for the President of the United States, Ronald Reagan, from his National Security Adviser, John Poindexter. It's very instructive to read the last paragraph. The rest of it is in the record, but that paragraph is instructive as to the discussion you had with the Senator from Ohio.

It said the following. I would point out that at this time you were the Deputy Director for Intelligence.

Am I correct?

Mr. GATES. Yes, sir.

Senator RUDMAN. That is a very esteemed position, but it is hardly the final policy leadership of the CIA. Is that correct?

Mr. GATES. Yes, sir.

Senator RUDMAN. Here was Admiral Poindexter's memorandum to the President which the President initialed: "You have discussed the general outlines of the Israeli plan with Secretaries Shultz and Weinberger, Attorney General Meese, and Director Casey. The Secretaries do not recommend you proceed with this plan. Attorney General Meese and Director Casey believe the short-term and long-term objectives of the plan warrant the policy risks involved and recommend you approve the attached Finding. Because of the extreme sensitivity of this project, it is recommended that you exercise your statutory prerogatives"—which you referred to in your answer to the Senator from Ohio—"that you exercise your statutory prerogatives to withhold notification of the Finding to the Congressional Oversight Committees until such time that you," the President, "deem it to be appropriate."

Do you recall that?

Mr. GATES. Yes, sir.

Senator RUDMAN. In the Finding itself, in the operative clause, it says the following: "I hereby find"—this is the President of the United States speaking—"I hereby find that the following operation in a foreign country, including all support necessary to such operation, is important to the national security of the United States and, due to its extreme sensitivity and security risks, I determine it is essential to limit prior notice and direct the Director of Central Intelligence to refrain from reporting this Finding to the Congress, as provided in section 501 of the National Security Act of 1947, as amended, until I otherwise direct."

Do you recall that?

Mr. GATES. Yes, sir.

Senator RUDMAN. And you were familiar with that at the time of the appearance discussed in your prior testimony?

Mr. GATES. Yes, sir.

Senator RUDMAN. Do you feel that as the Deputy Director of Intelligence you, at that point, were free to violate that restriction laid on the Agency by the President of the United States?

Mr. GATES. No, sir.

Senator RUDMAN. Now, to carry it a step further, what you have said to us in testimony is that, "were you to find yourself in that position, you would . . ."—and I'd like you to finish the sentence.

Mr. GATES. I characterized that if I had found myself asked the specific question in April, 1986, confronted with the directive from the President, I would, in effect, seek time to go back and say that I had been confronted with this situation, that I had to respond to the Committee, and that the only possibilities were either to tell them about the Finding or to go back and tell them that I had been directed by the President not to answer the question. But I would have sought guidance in that way and I would have come back to the Committee immediately. I'm assuming it would have been the very next day.

Senator RUDMAN. I think that it is stretching reality to accuse you of misrepresentation of your views about notification when, in fact, you were operating under that directive from the President himself.

As a matter of fact, Mr. Gates—and you correct me if I'm wrong—but there is still a dispute between this Committee and



this President, who was not involved in that Finding, as to the constitutional question of notification and the 48 hour rule. Am I correct?

Mr. GATES. Yes, sir.

Senator RUDMAN. And that it is still unresolved?

Mr. GATES. Yes, sir.

Senator RUDMAN. But it is your position and you are giving us your pledge as the nominee that if, in fact, you are confirmed, you will follow the procedure you have outlined in answers to Senator Boren, Senator Metzenbaum, and to me just now?

Mr. GATES. Yes, sir.

Senator RUDMAN. All right. Thank you.

Let me move to another point.

There was some innuendo that because Colonel North had made certain references to you in his diary, I believe, that somehow that charged you with some knowledge or responsibility for what was written there. Your answer to the Senator from Ohio in response to that question was that you had no idea what that reference was.

Am I correct?

Mr. GATES. Yes, sir.

Senator RUDMAN. For the record, Mr. Chairman, I want to refer to page 76 of the final report of the Congressional Committees on Iran-Contra. I want to read an excerpt of that report which is instructive as to why I think that your answer is an accurate answer, and any inference that somehow, because you are in that diary, it casts aspersions on your integrity is incorrect. Let me read it.

"In his report to Poindexter, North exaggerated his own role in the crisis. In a PROF note, North told Poindexter he had personally forestalled a crisis by calling the President of Costa Rica and threatening to cut off aid. North conceded to Poindexter that he may have overstepped the bounds of his authority: 'I recognize that I was well beyond my charter in dealing with a head of state this way and in making threats, offers that may be impossible to deliver.'"

Poindexter responded, "Thanks, Ollie. You did the right thing. But let's try to keep it quiet.'"

So the PROF note was that Colonel North had a rather direct discussion with President Arias of Costa Rica.

"North admitted in his testimony that he had not called President Arias. He claimed instead that the PROF message was specifically cast the way it was to protect the other two parties engaged."

So I repeat what I said yesterday, that any reliance by anyone on PROF notes without some sort of corroboration is unfair to the witness and, frankly, unfair to the Committee.

I want to talk about the famous Allen meeting of October 1, 1986, and the memo that was executed pursuant to that.

I'm not very anxious to air soiled laundry of the CIA at this hearing, but there is something that really ought to be said here. I am aware of it, I have been made aware of it, and I want to discuss it with you in as diplomatic terms as I can.

You, Mr. Gates, are a product of the Intelligence Directorate. Am I correct?

Mr. GATES. Yes, sir.

Senator RUDMAN. At the time, Clair George was the Director of Operations. Am I correct?

Mr. GATES. Yes, sir.

Senator RUDMAN. Am I correct that there was, you've characterized it as "mistrust," but would I be accurate in saying that the relationship between you and Mr. George was somewhat strained at times?

Mr. GATES. We cooperated in some areas and we had some strong disagreements in others. Yes, sir.

Senator RUDMAN. Would it also be fair to say that, although neither of you knew what the outcome would be, that you were both looked at as people who were upward bound in the Agency and there might have been some thought on someone's part that you were competitors for advancement within the Agency. Is that a fair statement?

Mr. GATES. I suppose some may have thought that. Yes.

Senator RUDMAN. Well, many people thought that, Mr. Gates.

Now, when Mr. Allen came to you with this complaint, he was, essentially, talking about something that was within the realm of the Operations Directorate. Am I correct?

Mr. GATES. Yes, sir.

Senator RUDMAN. And you were in the Intelligence Directorate.

Mr. GATES. By that time, sir, I was the Deputy Director of Central Intelligence.

Senator RUDMAN. But your background, I should have said, was in the Intelligence Directorate.

Mr. GATES. Yes, sir.

Senator RUDMAN. Let me ask you this flat-out question, Mr. Gates. I've never asked it of you in our private meetings. I saved it for today.

During that time when you were dealing with Mr. Casey, who you knew had a rather direct pipeline down to the DO and, in fact, would even bypass the DO and go to some of his subordinates—Mr. George's subordinates, such as Mr. Fiers—was it not a fact that one of the reasons you proceeded with extreme caution was that you did not want to get yourself into a situation of antagonizing the Operations Directorate without adequate and substantial cause to go forward?

Mr. GATES. I certainly was concerned that they not view me as having some sort of inherent suspicion of them or mistrust of them in terms of their activities and their integrity. I did worry about that. Yes.

Senator RUDMAN. In fact, that was a very sensitive thing because, essentially, you were a relatively new Deputy Director of Central Intelligence. You had been on a level, the same level, with the DO, Mr. George, and you were about to move into an area with the Director and with the General Counsel that very well could give them a lot of grief.

Am I correct?

Mr. GATES. I didn't know, but I clearly had a concern that they not look upon me as some sort of, as a person who just basically mistrusted them.

Senator RUDMAN. Because, of course, you were coming from the Directorate of Intelligence and now you had oversight over both,



and you wanted to be sure that you weren't perceived as someone who still had a bias toward your former directorate. Is that accurate?

Mr. GATES. Yes, sir, and I think also it was part of the reason why I moved slowly in involving myself in the activities of the clandestine service, as I indicated yesterday, only moving to get these briefings on a couple of these operations at the end of July, several months after I became Deputy.

Senator RUDMAN. I thank you for that answer. It confirms what I have been told by others and what I have thought.

One of the problems of these hearings is that they take place in a rather sterile atmosphere. To try to get the real-life feelings of people who are on-line, facing the crisis, is a very difficult thing to convey at a hearing like this. But I think my own judgment, looking at that whole record, is that one of the major reasons you proceeded cautiously is that you wanted to make sure that you had good evidence. You had some question about Mr. Allen's judgment on some of these issues, as you've testified—although he had produced some good work—and you wanted to be sure that you'd got it right before you went forward.

Is that a good characterization?

Mr. GATES. That's fair.

Senator RUDMAN. All right.

Now, I do want to turn to the other item that was the subject of a long series of questions, and that was on the Hasenfus shoot-down and what you said and when you said it. It's kind of interesting because we now have some very current evidence to look at and that is the unfortunate—and I say that sincerely—indictment of Mr. Fiers, who I got to know very well over the years and had enormous respect for. I think he found himself in a terrible position. But he has been indicted and he will be dealt with by the justice system, fairly I'm sure.

I want to read to you from that indictment.

"On or about October 9, 1986, the defendant, Alan Fiers, met with the CIA Deputy Director for Operations, Clair George, to discuss what information would be provided to Congressional Committees investigating the circumstances surrounding the downed aircraft and the resupply operation of which it was a part. During the course of the meeting, Mr. George informed the defendant, Alan D. Fiers, Jr., that certain facts would not be conveyed to the Congressional Committees because they would lead to further Congressional inquiry that would 'turn the spotlight' on the Administration and thus reveal the role of Lieutenant Colonel North in the resupply effort."

It is obvious that it was not revealed to the Congress.

Was it revealed to you?

Mr. GATES. No, sir.

Senator RUDMAN. In fact, Mr. Gates, as sad as it is to state here this morning, you were lied to—if the possession of those facts is accurate. I will give you that caveat. You were lied to by your own people.

Mr. GATES. If that statement is correct, that is true.

Senator RUDMAN. I think that is a very important point to make at this hearing: that to charge this witness with knowledge when

he was lied to—and, in my opinion, he was lied to—is the height of unfairness.

Finally, Mr. Gates, again we're talking about this period of time almost in a sterile way, as if that's all everybody was doing. I want to read to you—and ask you to comment on it—some of your testimony before this Committee on the 17th and 18th of February, 1987, during your previous hearing.

You said, "Second, while I certainly do not wish to trivialize these activities, it is important, I think, to place them in perspective. Lest it appear that the Iranian affair was the preoccupying issue on our minds during this period, let me point out that during the first two weeks in October, both we and you were preoccupied with the downing of the private benefactor airplane in Nicaragua and the capture of Eugene Hasenfus. The Daniloff affair and associated expulsions culminated during this period. We were deeply engaged in preparations for the President's meeting in Reykjavik. Nearly simultaneously, we had a political crisis in the Philippines, a phony Soviet withdrawal from Afghanistan, a major commitment of time and energy related to the British expulsion of the Syrian Ambassador, and Syria's involvement in terrorism, a flap over false reports of Korea's Kim Il-Sung's death, and a major preoccupation with the renewal of authorized support for the Contra program on October 1, and the associated conflict along the Nicaraguan-Honduran border."

You were involved in all of those things at that time. Am I correct?

Mr. GATES. Yes, sir.

Senator RUDMAN. And you were groping, as best you could, to find out information about what was going on and in some cases you were not leveled with by your own people. Am I correct?

Mr. GATES. I think that is correct, sir.

Senator RUDMAN. Mr. Gates, I think you've been forthcoming and forthright. As anyone who followed Iran-Contra would know, I was never an apologist for the Administration or its participants. I think many things were done wrong and I will think to my dying day that it was a serious breach of our Constitution. But I do not think that you ought to be held accountable for anything in that, except an occasional judgment which I think could have been better. But I don't think we can judge you on that. I think we have to judge you on your entire record, on your competency, on your integrity, on your qualifications, and I hope that's the way each Member of this Committee and, indeed, the Senate will vote when this Committee reports out your nomination.

Thank you, Mr. Chairman.

Chairman BOREN. Thank you very much, Senator Rudman.

As I've indicated, we will take a recess until 1:40, since we have run over a little bit, when we will begin the round of questions this afternoon. This will enable every Member of the Committee to at least have had an initial round of questions with the nominee. As I've indicated previously, we will not cut off the questioning of the nominee even though we will go to other witnesses on Thursday.

We are going to be very thorough in this process. I know the nominee understands our responsibilities. And as long as there are any Members of the Committee that have questions that they

think really seriously need to be addressed, those Members will have an opportunity to ask those questions and the nominee will have an opportunity to respond.

We will stand in recess until 1:40 this afternoon.

[Whereupon, at 12:45 p.m., the Committee recessed, to reconvene at 1:40 the same day.]

#### AFTERNOON SESSION

Chairman BOREN. I might just indicate again for the purpose of scheduling, we will attempt to complete about 5:00 o'clock or little after 5:00 o'clock today. We will follow the order that I outlined earlier in rounds not to exceed thirty minutes. Perhaps all Senators will not take quite 30 minutes.

We will not, of course, be in session on Wednesday. On Thursday morning at 7:00 o'clock, as was our practice this time, we will be releasing additional documents relating to the testimony of those that will be testifying on Thursday beginning at 9:30. The hearings will begin at 9:30. Additional packets of documents that have been through the declassification process will be released at that time. That would include the Kerr deposition and sworn statements of Mr. Allen and Mr. Doherty and Mr. Makowka, and the deposition of Mr. Kerr, those are among the documents that will be released on Thursday morning.

Thursday, we will have a whole series of open witnesses that have been previously announced to you. Some of them could even spill over onto Friday.

Friday, we will have a closed session on least part of the day on the intelligence estimates that remain classified. And then on the following Tuesday we will resume, probably for a brief period in closed session, to talk about the question of intelligence sharing, which arose partly today. Our discussion of that has to be of necessity, again because of the classified information, conducted in closed session.

After that time it would be our intention then to complete the questioning of the nominee. Members have indicated they do have some additional questions they would like to ask. So Mr. Gates would be prepared to come back, I might say to the nominee, potentially as early as Tuesday afternoon, it might be Wednesday, we have to just wait and see how this works out.

I would anticipate that most of that final questioning would be in open session. There might be a few matters that we would require the nominee to testify to in closed session if they related to questions raised during our classified sessions. So that roughly is going to be the schedule that we will be following, again subject to adjustment. Because, as I've indicated, we have a very strong responsibility to be thorough in this process and we are going to give Members an opportunity to ask any questions that they feel they should ask.

I think Members have been operating in good faith in terms of the questions they have been asking. They felt a responsibility to ask those questions. We'll seek any documents that they might feel they should have a chance to review before the hearings are completed.

So again in keeping with those two words that I said I hope would describe our hearings throughout, fair and thorough, this is the process we intend to follow.

Our next round of questions will come from my colleague from the state of California, Senator Cranston. Senator Cranston?

Senator RUDMAN. Senator Cranston would you yield to me for thirty seconds?

Senator CRANSTON. Of course.

Senator RUDMAN. I just want to make sure, Mr. Chairman, that the written record is correct. At the close of this morning I read some documents relating to Mr. Fiers. Of course those were from his plea bargain. He pleaded guilty to two misdemeanors. There is a separate indictment with similar language involving Mr. George. I did not read that but there is great similarity and I want to make sure that people knew what I was reading from and it was clearly identified.

Chairman BOREN. The document—just to be clear—the document from which you were reading was the document relating to the Fiers plea bargain.

Senator RUDMAN. That is correct. And I thank my friend from California.

Chairman BOREN. The Senator from California is recognized.

Senator CRANSTON. Thank you Mr. Chairman. I am delighted to finally have my turn.

I welcomed one remark in your opening statement where you said one of your objectives as DCI would be to reduce the amount of secrecy within and around the CIA.

As we all know there are many, many papers that get stamped secret that shouldn't be. Don't you really think we should reduce the amount of secrecy government wide and review the whole classification system?

Mr. GATES. I agree with that, Senator Cranston, and I think there has been considerable progress in this arena in the last several years. I recall reading the—I realize it's not on everybody's reading list—but I did read the annual report of the Information Security Oversight Office. And they noted that the number of original—of people with original classification authority—has dropped from something like 60,000 people in 1971 to about 6,500 people in 1990.

Similarly, the number of original classifications has dropped by about eighty percent over the last several years. Where the problem is, is in the review of documents for declassification that are sitting in the government warehouses and safes. There are, you know, untold number of pages of these.

Part of the problem is one of resources in the review of these documents. One of the areas that I've thought about in terms of greater Agency openness, where a DCI might be able to do something, would be perhaps in somewhat greater openness with respect to historians. And being able to give greater access, particularly to older documents in the Agency files. This is one area that I think warrants looking into.

But overall, I think we have made some progress, I hope, since those days when people would put together a compilation of clippings and then stamp it secret.

Senator CRANSTON. Without going into the warehouses and the safes and files and so forth, might it be worth your initiating discussions with the Secretaries of Defense and State and perhaps Justice and other appropriate places to review what might be done with ongoing operations to reduce the secrecy factor?

Mr. GATES. Yes sir.

Senator CRANSTON. The Intelligence Community presumably facts shrinking budgets while at the same time it faces new demands in areas like arms control verification, counternarcotics, terrorism and so forth. In regard to economic intelligence that you discussed with Senator Bradley this morning, you mentioned that two countries seem to be engaging in economic espionage of one sort or another. Without asking you what countries, I did want to ask, is that done by the governments or is it a private operation or what?

Mr. GATES. I'm confident in one case it's the government, Senator. I think it's the government in the second but I'd have to check.

Senator CRANSTON. Do you know how they go about sharing that with business concerns to avoid the concern that Senator Metzenbaum has of favoritism to one business or another?

Mr. GATES. No sir, I don't.

Senator CRANSTON. Some people suggested that intelligence already collected from national systems could be of tremendous use to environmental scientists in dealing with the environment generally. Do you see any role for the Intelligence Community and the CIA specifically in acquiring information that can be helpful in dealing with environmental threats to our security and our quality of life?

Mr. GATES. We certainly have assets that can be brought to bear against this problem. One area, for example, not in an environmental area, but an area outside of normal or what one would think would be usual intelligence interests, are the statistics that the Agency has pulled together on the number of AIDS cases worldwide, for example, because of a skepticism that the figures provided by those countries to the World Health Organization, they shade for political reasons.

It may be that the data gathering capabilities of the Intelligence Community and perhaps some of its space assets might be used in connection with environmental issues. The only concern that I have in that regard is as the resources available to the community decline and there are a shrinking number of people to do a larger number of tasks, I think we need to look carefully at those things which are in the traditional national security arena as we look at some of these new challenges before us.

A new area, for example, in the last ten to fifteen years is the whole realm of narcotics, where the Intelligence Community has gotten fairly involved and now spends a fair amount of money. That was an area that was not a traditional intelligence concern.

It may be that the environment will fall into that category as well, but I think that that's one of those areas in this broad look at intelligence missions and priorities that I think we ought to address and it ought to be a matter of agreement among the people in the Executive branch and also in the Congress if they deem that

sufficiently important to begin using some intelligence resources for that purpose.

Senator CRANSTON. It seems to me that if you could it would be very constructive. You could help on the AIDS front. That would certainly be a real contribution.

Are there any other non-traditional areas where you think CIA might be constructively helpful?

Mr. GATES. Well, two areas where the Agency has done some work in the past that I thought was of particular interest included, first of all, some work on climate change which was done a number of years ago. I guess that involved environmental matters. Another is on international resources, particularly water resources. The Agency did a paper a number of years ago indentifying various places around the world where it could forecast that within the next ten or twenty years there was a real likelihood of war because of conflict over available water resources. I think there are some areas such as that where intelligence can make a unique contribution.

I think that there are a number of different areas that are of interest to people in the Executive branch and also in the Congress. Your comment about environmental studies is one thing. The Agency has done some work on civil technology development overseas in terms of being able to identify leading areas where other countries are leading us in technological development and why. Sometimes it's a technology transfer problem and so on. The basic work done on that has been important to the broader work we've done on technology transfer. So this question of foreign technology development is another area where I think there is some opportunity. So there are a variety of these areas that are non-traditional in the national security arena where we've done some interesting work. Again, I come back to my only concern being that at some point we have to draw the line in terms of how much we can actually do.

Senator CRANSTON. Putting on your hat as a Soviet expert, do you believe what has happened in the Soviet Union is irreversible? Or do you think it's possible that a new Stalin or Brezhnev-type dictatorship could be re-imposed on the people there?

Mr. GATES. I think communism, Marxism, Leninism is dead in the Soviet Union. There may be some practitioners of it who haven't twisted their heads yet to find out—

Senator CRANSTON. What about some other form of dictatorship?

Mr. GATES. But I do think there is a potential concern about a return to authoritarianism in some parts of the former Soviet Union. I think that the revolution that has taken place in the wake of the coup now opens the prospect for a genuine democratization of the republics of the former Soviet Union. And also for economic transformation. But that's in the long term.

I think that the near term is going to be extremely difficult in the republics and in the former Soviet Union. The old system has been destroyed. A new system has not yet been created to take its place. And as a result I think it's going to be a very difficult winter. I think that we have to look at the republics. Some of the republics are further along in the process of democratization than others. Some are still fairly authoritarian. And I think if events, if



circumstances worsen over the winter, there will be a temptation to return to the command type economy, and command type political authority that we saw under communism.

So I think it's something that is a possibility given the very serious problems that all of those republics are going to face in the next two or three years. And I think that one of the things—now putting on my current hat—one of the things that we need to do is do everything we can to strengthen the democratization process and to provide short term help in the way of food, medicines and so on, so there won't be the temptation to return to authoritarianism.

Senator CRANSTON. Do you believe there is a real threat of widespread starvation this year? This winter?

Mr. GATES. I think that in some areas of some republics there could be some severe shortages of food. Part of the problem is that there are supplies of food in the Soviet Union but the distribution system has essentially broken down. And now the transportation system itself is in deep difficulty because of the essential disappearance of the central government.

However flawed the system was before the coup, it's become worse now. So I think that in some specific parts of the country, it could be a problem, yes.

Senator CRANSTON. How well equipped is the CIA to follow events in the new emerging republics there and the many semi-autonomous republics within the republics and in all the various ethnic groups?

Mr. GATES. Senator, I'm not totally familiar with the current situation for the Agency, but I would say speaking for the government as a whole, that our capabilities are very limited.

Right now we have a consulate in Kiev and one in Leningrad, and other than that we are dependent on travelers and what we hear out of the Soviet Union and so on. I would hope that we could move at some point fairly quickly to establish consulates in each of the republic capitals that would become embassies if those republics became independent.

But I think we need to establish an official presence throughout these republics just as quickly as we can, not only so we can know better what is going on, but so that people can give local advice to businessmen and others wanting to invest and people wanting to help.

Senator CRANSTON. How confident are you that we know what's happening over there in regard to the command, custody and control of nuclear weapons?

Mr. GATES. I am more confident certainly now than I was during the period of the coup itself. We have, I think, satisfactory assurances in terms of the command and control system now, and they clearly are considering ways of involving some of the republic presidents and others in their command and control system in a way that would make the use of those weapons even more difficult in the future.

Senator CRANSTON. President Bush said yesterday that we would be more likely to favor economic aid to the people over there if the Soviet Union stopped aiming its 30,000 nuclear missiles at us. A few days before that he said, quote, "I hope we'll see some recogni-

tion that we're not their enemy and they'll stop aiming missiles at the United States of America," unquote.

Some questions about that. First, could we verify that they had stopped aiming at us if indeed they did stop?

Mr. GATES. I think we have some independent intelligence means of being able to give us some indication of that. I would not pretend that it would be complete information.

Senator CRANSTON. It seems to me they might well suggest a reciprocal move on our part—that we stop aiming our thousands, tens of thousands of deadly missiles at them. Would they be able to verify our compliance?

Mr. GATES. I guess I would have to reply I hope not. I don't know the answer to that. There presumably could be some kind of mutual verification means, but it's hard for me, off the top of my head, to figure out what they would be.

Senator CRANSTON. Do you think it's conceivable that we could work out such a mutual agreement with them? And would it be advisable to undertake to do so?

Mr. GATES. I think that the most reliable first step would be to proceed with the implementation of the START agreement and the dismantling of a lot of these systems. As long as they sit in the silos or on those road-mobile launchers and so on, nobody can know from one day to the next, reliably, where they are aimed.

I think that significant reductions in the numbers of those weapons is probably the greatest assurance that we stop aiming at each other.

Senator CRANSTON. If they are responsive to President Bush's request, is there any real need, given the new circumstances, for us to have as many as we now aim at them?

Mr. GATES. I would think that if there are significant reductions on the Soviet side, Senator, it would be my opinion that there could be significant reductions on our side as well.

Senator CRANSTON. What have you learned about our capacity and the world's capacity to monitor nuclear proliferation in the light of what we have learned in Iraq?

Mr. GATES. Before we had the war with Iraq and the subsequent inspection regime that has given us the insight we have had, I would have been more confident in telling you that we had a pretty good handle on proliferation efforts around the world. We know the companies that are engaged in this activity and have in the past. We know the governments that are trying to develop a nuclear capability. We have a pretty good sense of the kinds of technologies and the kinds of things people are looking for in this connection.

I think that one of the things that happened to us with respect to Iraq was what I would call a certain technological arrogance. I think people did not anticipate that the Iraqi's would reach so far back for what I understand to be a very outdated and old technology for assembling—for a nuclear weapons program.

And so I think that—one of the things that I've discovered about analysts, not being a technical expert myself, is that there is, particularly in this country, a certain technical arrogance and if people—if they don't have evidence that people are doing a particu-



lar kind of program the way we did it, then there is a tendency to say they're not doing it.

And we've seen too many examples in the Soviet arena where in fact they took a different path that seemed—that it was either rejected by our military or by someone else and made it work. So I think the greatest lesson that we've learned out of the Iraqi experience is perhaps a little greater humility and a greater willingness to look at a wider array of possibilities in some of these countries.

We knew that the Iraqis were trying to build a weapon; what we underestimated was just how far they had gone.

Senator CRANSTON. You spoke yesterday of the difficulty of monitoring chemical and biological proliferation. What do we need to do there to beef up our capacity?

Mr. GATES. I think that one of the things that—there are certain—again, this is an area where I'm certainly no expert, but I think in the chemical arena there are certainly some kinds of precursors that can be monitored. Part of the new proliferation program that the President put forth last November is limitations on some fifty precursor chemicals that would be associated with chemical weapons and we're getting a number of other countries to work with us in monitoring the supply and sale of those weapons.

I think the biological problem is the most difficult of all. I can't help but believe that there are some technological answers in terms of being able to detect certain kinds of chemicals that are the most common in chemical weapons that would help in monitoring such things in various countries. We've had pretty good luck in places like Rabta in Libya and elsewhere in identifying where chemical weapons are being produced.

So I guess that what I would see as the strategy for dealing with it would be a combination of policy measures, perhaps some investment in technological research for monitoring devices, and I think it also gets back to the enhanced human intelligence collection, which is usually how we first get some indication that these programs are underway.

Senator CRANSTON. We've heard a lot about compartmentalization within the CIA, limited loops, people excluded from information within the Agency. Some of the people in the CIA are obviously trained in secrecy and deception and in dissembling. Senator Rudman established this morning that you may well have been lied to by one of your subordinates. How would you as CIA Director guard against not being informed of actions undertaken by CIA employees that might be improper and might be in violation of the law?

Mr. GATES. I think there are two ways to deal with that, Senator Cranston. One is I think that the procedures that Director Webster has put in place that ensure the review of covert actions and that people who, throughout the Agency from the analytical directorate, the General Counsel's office, the Comptroller, a variety of people are looking at these programs, is an important way to assure compliance. I think that the statutory Inspector General offers an added safeguard in terms of being able to investigate rumors and investigate information that might indicate there is some difficulty, or some non-compliance. That is one of the reasons why I suppose it is a little violation of privilege, but I was a strong supporter in

the Executive branch of signing the authorization bill with the statutory Inspector General in it.

And frankly, I think that a third safeguard is the opportunity to come up here and brief the Congress on these covert actions and have the opportunity for the kind of by-play and intensive questioning that goes on. And I think that all of those things acting together, as well as a clear understanding on the part of those who work in CIA that there is no tolerance for non-compliance with the law at the top, is an important element of making sure that people follow the rules.

I think that—I hesitate to read into people's motives, but my sense is that those who have acknowledged wrongdoing in the Agency in connection with Iran-Contra believed that they were doing the right thing. That they believed that this was either encouraged, or tolerated, at the top or that in some broader sense that it was the right thing to do. And I think that the kind of standard that Director Webster set, and I will say the kind of directions that I gave as Acting Director, are an important element in people understanding that that kind of thing will not be tolerated in the Agency.

Senator CRANSTON. How confident would you be as Director that you knew all you wanted to know and needed to know about what people working under you were doing?

Mr. GATES. Again, I think you have to depend on the reliability of the people that are selected to senior positions working for you. There are internal safeguards and means for investigating and looking into problems. You know, no organization can ever be 100% confident that all the people working for it are going to obey all the rules all the time. And it seems to me that you do everything you can to ensure compliance with the rules, but you also try to build a system whereby if there is one individual who goes astray, you can identify it and deal with it very quickly, very early on before it becomes a serious problem. I think that this is characteristic of virtually any big institution.

Senator CRANSTON. You spoke yesterday, perhaps a little plaintively, of how people sometimes look askance at you or other people who work for the CIA, despite the belief of you and others there that you are doing patriotic work. What are your feelings about the role of CIA with its secrecy, its clandestine and covert actions and so forth, in a democracy? Have we taken all of the precautions that we need to take to protect our democracy against any adverse consequences of the actions of this agency? Have we taken all the precautions we should take overseas to keep our clandestine and covert actions and so forth from tarnishing our image abroad, and making sure that they will not set back our desires to promote democracy and freedom overseas?

Mr. GATES. Senator, one of the interesting aspects of the dialogue that CIA has with—and officers of the CIA have with—other intelligence services is in describing how our oversight process works, and how we see it working to our advantage. Why it is important in a democracy to have an oversight process.

With some of our colleagues from democratic countries, they wince at the notion, but acknowledge that it is probably coming their way.

I think one of the most interesting conversations that I had along these lines was in a series of three private meetings with Vladimir Kyruchkov, who became the director or the Chairman of the KGB. First meeting was here in Washington in December of 1987, and then there were two meetings in Moscow. And part of the discussion in each of those meetings was about the importance of legislative oversight.

In the first meeting or two, I thought that he evinced some interest in how you make an intelligence service more accepted and more respected in its homeland. By the time of the third meeting it was clear that he had reversed course in terms of his support for—it was clear to me that he had reversed course in terms of his support for the reform process and was clearly headed in a different direction. And that was the last meeting we ever had.

But in all of these dialogues, it is, I would say, just as American democracy is held up as a model for other countries, despite its imperfections. I think that the oversight process and the role of CIA in American democracy with the unprecedented amount of—or the unequaled amount of—publicity about its activities is a model for the rest of the world, again, however imperfect the process may be. I think that the last 15 years have been a long Pilgrims Progress in this evolution of oversight and a sense that CIA is both accountable and adheres to the law. We probably still have further progress to make.

But I think that in the eyes of many foreign governments, the view is that the way that CIA relates to the Congress and relates to the American people is something to be admired if not emulated.

Senator CRANSTON. What was your position in the CIA in September and October of 1980?

Mr. GATES. I was—through the early part of October 1980, I was Executive Assistant to Admiral Stansfield Turner, the Director. And then I became the National Intelligence Officer for the Soviet Union.

Senator CRANSTON. As you, know there have been allegations that a secret meeting with Iranians to discuss hostages, when they should be released or not be released, occurred shortly before the 1980 Presidential election. These allegations charged that George Bush, Casey, and Donald Gregg, then a CIA employee, attended that meeting. Would you have known if Gregg attended any such meeting?

Mr. GATES No, sir.

Senator CRANSTON. So you have no knowledge about that?

Mr. GATES. No sir.

Senator CRANSTON. Did you have any contact directly or indirectly with anyone connected in any fashion with the Reagan or Bush campaigns in 1979 and 1980?

Mr. GATES. Not before the election, no sir.

Senator CRANSTON. Did they make any efforts to get in touch with you?

Mr. GATES. No, sir.

Senator CRANSTON. I would like to ask sort of a broad general question. What have you learned from this experience, the confirmation hearing, and the questions that come up about the Agency and your actions in the Agency in the past, and questions like

those asked by Senator Metzenbaum, and Senator Bradley, in particular, the exhaustive scrutiny of your past actions that will strengthen you as Director if confirmed?

Mr. GATES. Senator, I believe that it has certainly brought home to me the importance of the lessons that I described that I had learned. And also the fragility of this relationship of trust and confidence that I talked about in my opening statement.

I believe—there was a considerable—I must say, I have received very differing points of view among people in the Executive branch that I consulted on my pledge at the end of my formal statement to resign if I felt that a relationship of trust and confidence were jeopardized. And I decided to go ahead with it because I am convinced, and I think this hearing has reaffirmed to me, that there can be differences in policy and differences in approach between the Executive branch and the Congress, and between CIA and the Oversight Committees, but that those differences can be accommodated within a relationship of trust and confidence. And I believe that the kind of questioning that Senator Metzenbaum, Senator Bradley and really all of the Members of the Committee up to now have addressed to me emphasize that point to me all the more.

Senator CRANSTON. You have made plain that you believe in giving candid and truthful answers to Congressional questioners at hearings. Does that include, when it is obvious that the Members or a Member is seeking certain information, if they don't ask the right question, do you remain silent appropriately, or do you volunteer information that meets the legitimate obvious needs of the questioners?

Mr. GATES. No sir, I think that as I indicated in my opening statement, I think it is important for the intelligence representatives to be forthcoming as well as truthful.

In some respects, sometimes I have shared the experience of these Committees in feeling like I had to ask the right questions when I was at the Agency or I wouldn't get the right answer. So I have a certain amount of sympathy with that.

But I think that it's clear that people have to be completely forthcoming with the Committees because if you are not willing to go beyond just the question that is asked, then you are going to get the kind of crises that took place I think back in the first half of the 1980's where tremendous misunderstandings occur and there really is no confidence.

Senator CRANSTON. If you were sitting up here and not down there, are there any questions that you would ask that we have not asked? [General laughter.]

Mr. GATES. I would have to give that a fair amount of thought. I've been asked a lot.

Senator CRANSTON. Thank you very much.

Mr. Chairman, I still have some more questions but I know my time is up.

Chairman BOREN. Thank you very much, Senator Cranston.

We will begin a series of three votes on the Floor at approximately 2:35, unfortunately. The Chair is going to try to press ahead. It may be that we will have to go as late as a little past 5:00. I certainly want to make it possible for people who need to leave to do so. We certainly won't go past 5:30, in any event.

Senator Gorton, would it be possible for you to at least maybe do fifteen minutes of your questioning if we can get a little—

Senator GORTON. I will certainly go along with that. I'll start and go as far as I can.

Chairman BOREN. Why don't we and then we will come back we will have to have about a twenty minute recess while all of us go to the Floor to vote on these three back to back votes.

Senator MURKOWSKI. Mr. Chairman, I would ask unanimous consent that Exhibit JMP-28 be placed in the record which I do not think has been done. And the memorandum covering that. It was the subject of a question—

Chairman BOREN. A question by Senator Rudman?

Senator MURKOWSKI. Yes, and I believe it is his intention to have in the record.

Chairman BOREN. Without objection it will be placed in the record.

[The document referred to follows:]

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→ new plan finding

## EXHIBIT JMP-28

THE WHITE HOUSE

WASHINGTON

January 17, 1986

#49  
N 10046~~TOP SECRET~~ACTION

## MEMORANDUM FOR THE PRESIDENT

FROM:

JOHN M. POINDEXTER *JP*

SUBJECT:

Covert Action Finding Regarding Iran



Prime Minister Peres of Israel secretly dispatched his special advisor on terrorism with instructions to propose a plan by which Israel, with limited assistance from the U.S., can create conditions to help bring about a more moderate government in Iran. The Israelis are very concerned that Iran's deteriorating position in the war with Iraq, the potential for further radicalization in Iran, and the possibility of enhanced Soviet influence in the Gulf all pose significant threats to the security of Israel. They believe it is essential that they act to at least preserve a balance of power in the region.

The Israeli plan is premised on the assumption that moderate elements in Iran can come to power if these factions demonstrate their credibility in defending Iran against Iraq and in deterring Soviet intervention. To achieve the strategic goal of a more moderate Iranian government, the Israelis are prepared to unilaterally commence selling military materiel to Western-oriented Iranian factions. It is their belief that by so doing they can achieve a heretofore unobtainable penetration of the Iranian governing hierarchy. The Israelis are convinced that the Iranians are so desperate for military materiel, expertise and intelligence that the provision of these resources will result in favorable long-term changes in personnel and attitudes within the Iranian government. Further, once the exchange relationship has commenced, a dependency would be established on those who are providing the requisite resources, thus allowing the provider(s) to coercively influence near-term events. Such an outcome is consistent with our policy objectives and would present significant advantages for U.S. national interests. As described by the Prime Minister's emissary, the only requirement the Israelis have is an assurance that they will be allowed to purchase U.S. replenishments for the stocks that they sell to Iran. We have researched the legal problems of Israel's selling U.S. manufactured arms to Iran. Because of the requirement in U.S. law for recipients of U.S. arms to notify the U.S. government of transfers to third countries, I do not recommend that you agree with the specific details of the Israeli plan. However, there is another possibility. Some time ago Attorney

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General William French Smith determined that under an appropriate finding you could authorize the CIA to sell arms to countries outside of the provisions of the laws and reporting requirements for foreign military sales. The objectives of the Israeli plan could be met if the CIA, using an authorized agent as necessary, purchased arms from the Department of Defense under the Economy Act and then transferred them to Iran directly after receiving appropriate payment from Iran.

The Covert Action Finding attached at Tab A provides the latitude for the transactions indicated above to proceed. The Iranians have indicated an immediate requirement for 4,000 basic TOW weapons for use in the launchers they already hold.

The Israeli's are also sensitive to a strong U.S. desire to free our Beirut hostages and have insisted that the Iranians demonstrate both influence and good intent by an early release of the five Americans. Both sides have agreed that the hostages will be immediately released upon commencement of this action. Prime Minister Peres had his emissary pointedly note that they well understand our position on not making concessions to terrorists. They also point out, however, that terrorist groups, movements, and organizations are significantly easier to influence through governments than they are by direct approach. In that we have been unable to exercise any suasion over Hizballah during the course of nearly two years of kidnappings, this approach through the government of Iran may well be our only way to achieve the release of the Americans held in Beirut. It must again be noted that since this dialogue with the Iranians began in September, Reverend Weir has been released and there have been no Shia terrorist attacks against American or Israeli persons, property, or interests.

Therefore it is proposed that Israel make the necessary arrangements for the sale of 4000 TOW weapons to Iran. Sufficient funds to cover the sale would be transferred to an agent of the CIA. The CIA would then purchase the weapons from the Department of Defense and deliver the weapons to Iran through the agent. If all of the hostages are not released after the first shipment of 1000 weapons, further transfers would cease.

On the other hand, since hostage release is in some respects a byproduct of a larger effort to develop ties to potentially moderate forces in Iran, you may wish to redirect such transfers to other groups within the government at a later time.

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The Israelis have asked for our urgent response to this proposal so that they can plan accordingly. They note that conditions inside both Iran and Lebanon are highly volatile. The Israelis are cognizant that this entire operation will be terminated if the Iranians abandon their goal of moderating their government or allow further acts of terrorism. You have discussed the general outlines of the Israeli plan with Secretaries Shultz and Weinberger, Attorney General Meese and Director Casey. The Secretaries do not recommend you proceed with this plan. Attorney General Meese and Director Casey believe the short-term and long-term objectives of the plan warrant the policy risks involved and recommend you approve the attached Finding. Because of the extreme sensitivity of this project, it is recommended that you exercise your statutory prerogative to withhold notification of the Finding to the Congressional oversight committees until such time that you deem it to be appropriate.

Recommendation

OK NO

RR  
JP

— That you sign the attached Finding.

Prepared by:  
Oliver L. NorthAttachment  
Tab A - Covert Action Finding

1000 17 Jan 81

Printed was briefed verbally from this paper.  
VP, Don Regan and Don Fortin were present.

JP

TOP SECRET



702

Finding Pursuant to Section 662 of  
The Foreign Assistance Act, of 1961  
As Amended, Concerning Operations  
Undertaken by the Central Intelligence  
Agency in Foreign Countries, Other Than  
Those Intended Solely for the Purpose  
of Intelligence Collection

I hereby find that the following operation in a foreign country (including all support necessary to such operation) is important to the national security of the United States, and due to its extreme sensitivity and security risks, I determine it is essential to limit prior notice, and direct the Director of Central Intelligence to refrain from reporting this finding to the Congress as provided in Section 501 of the National Security Act of 1947, as amended, until I otherwise direct.

DESCRIPTION

SCOPE

Assist selected friendly foreign liaison services, third countries and third parties which have established relationships with Iranian elements, groups, and individuals sympathetic to U.S. Government interests and which do not conduct or support terrorist actions directed against U.S. persons, property or interests, for the purpose of: (1) establishing a more moderate government in Iran, (2) obtaining from them significant intelligence not otherwise obtainable, to determine the current Iranian Government's intentions with respect to its neighbors and with respect to terrorist acts, and (3) furthering the release of the American hostages held in Beirut and preventing additional terrorist acts by these groups. Provide funds, intelligence, counter-intelligence, training, guidance and communications and other necessary assistance to these elements, groups, individuals, liaison services and third countries in support of these activities.

The USG will act to facilitate efforts by third parties and third countries to establish contact with moderate elements within and outside the Government of Iran by providing these elements with arms, equipment and related material in order to enhance the credibility of these elements in their effort to achieve a more pre-U.S. government in Iran by demonstrating their ability to obtain requisite resources to defend their country against Iraq and intervention by the Soviet Union. This support will be discontinued if the U.S. Government learns that these elements have abandoned their goals of moderating their government and appropriated the material for purposes other than that provided by this finding.

The White House  
 Washington, D.C.  
 Date January 17, 1986

*Ronald Reagan* OGC TS 0801-86  
 Copy 1

Chairman BOREN. Senator Gorton?

Senator GORTON. Mr. Chairman, one of the reasons that I am happy to start now is that I want to say that in this relatively lengthy hearing so far, I've been most fascinated and most enlightened by the really fine questions which Senator Cranston has just asked. It seems to me that so many of them have gone to lessons—have gone to where we stand now in this country with the CIA and to the future, that I can do no better than express the frustration that I've wanted to ask many of those questions myself and will follow up on some of them. But I think the Senator from California has really helped enlighten those of us who were here to hear them on some of the views and the ways in which he has arrived at those views of Mr. Gates.

Senator CRANSTON. Thank you, Senator, very much.

Senator GORTON. And I do intend to follow up on some of those questions. I guess the only other premise from which I would like to start, Mr. Gates, is that unlike some of the earlier questioners in this round, I believe that I have occasionally made the mistake myself and come up with wrong answers or answers which proved to be wrong in the light of history. And I may, even on occasion, have ducked fully an unpleasant task.

You have admitted to having that kind of experience in your life on a couple of occasions, and I think that that puts you into that huge mass of humanity most of whom hope that they have learned from their experiences. From what I have heard so far in the last two days, it seems to me that you have. And since I intend to vote for your confirmation, and since I believe that you will be confirmed, I think that the direction that Senator Cranston went is where I'd like to. I'd like to try to learn more about what you will be like in the office of Director of Central Intelligence.

I have one specific follow-up with respect to a series of Senator Cranston's questions. He asked you about how you would try to assure that you were not misled by some of your subordinates in some future crisis. And I wonder whether or not there isn't a fairly significant addition to both his question and to your answer to it.

It is not the case that our examination of this whole Iran-Contra affair, was it not unique, at least not the common course of action, did you not have there a situation which you fervently hoped will never occur on your watch as Director in which it was clear that the position and the policies adopted by Congress were felt by the Administration, right up to and including the President, to be profoundly wrong and profoundly not in the interests of the United States. So that you had many men and women, I suppose, in the Administration and elsewhere who felt pulled in two different directions, and were faced with very agonizing choices as to where loyalties lay.

Is that not a situation which is relatively rare and is that not a situation which would have to cause anyone who was DCI to be especially and particularly careful about whether or not he or she is hearing everything? I take it you wouldn't expect in the normal course of events, when the country was fairly united on a policy and a direction to have people customarily lying to you in your shop. Aren't there some signals with respect to particular policies which would lead to great caution?

Mr. GATES. Yes, sir, Senator Gorton, I think that is absolutely true.

I think that this is the only instance in my government career when I felt that people perhaps hadn't played straight with me. I mean everybody in government is accustomed to shadings and politics and bureaucratic gamesmanship and that sort of thing.

But what appeared to be dishonesty was something that I had not encountered. I think it really did owe a lot to the deep divisions in the government and in the country over Central America, and a feeling on the part of some officers as I indicated earlier that they were sort of responding to a higher calling, if you will, when they did not follow the rules.

I have—if we had not had a significant success in getting Soviet troops out of Afghanistan and bringing about a negotiated solution, or at least a hoped for negotiated solution in Angola, I would be profoundly skeptical about the value of covert paramilitary action. I am not aware of a single one since the founding of CIA that ever remained a secret. And they have repeatedly embroiled the Agency and the government in controversy and difficulty.

Now there may be exceptions, and I've just cited a couple, where they worked. They worked right. They worked without anybody being concerned about—not concerned, but where there was no indication of any wrong doing on anybody's part. The program is well managed, and so on.

But I think that when you get into a situation like you had in Central America, where the government, and particularly the Executive and the Congress and the Congress itself, is deeply divided, first of all, it nearly guarantees that there will be leaks. And second, it places the Agency in a terrible position. And as Director, it seems to me that it would be incumbent upon me to argue for the benefit of the government as a whole that unless there were fairly broad support for one of these programs, that it would be unwise to use that kind of—that instrument of American foreign policy.

Senator GORTON. You may have answered this question already, but as you look back at the entire twenty-five years of your career here, has there been any other instance to your knowledge in which that kind of deep division has taken place and in which that kind of temptation to go beyond the law has existed to any degree or to the same degree that it did in connection with Central America?

Mr. GATES. The only one that I can think of, Senator, was at the very beginning of my career, and that was Vietnam. I don't know that anybody went beyond the law then, but there certainly were those kinds of deep divisions.

Senator GORTON. Now I'd like to go back to another line of questioning in which Senator Cranston engaged that looks toward the future and how you will deal substantively with future challenges.

And to the extent that you can answer this question without dealing with anything other than general opinion or anything which is classified, would you describe the difference, and whether or not you think it will be more or less difficult, to get the necessary facts which are sought by the intelligence agency in order to provide a factual background for the policymakers in the Soviet

Union, in the immediate future, the next three or four years, in comparison with, say, the time since Gorbachev became President or First Secretary and even the time before that. Is the fact that there is more openness and for that matter, a much weaker central government, does that give you such a broader opportunity to find out not only the mood of the people but the actual economic circumstances, the defense circumstances in what remains of the Soviet Union? Or is that so over-matched by the chaos and the lack of leadership, that you are even less certain when you make analyses of potential future changes in that country?

Mr. GATES. I think the right answer, Senator, is that it really works both ways. In some areas, because of the change in the nature of the government, I think that the people will be more straightforward in dealing with the United States government. I think there is a different attitude toward this government on the part of the democratic leaders who have assumed positions of responsibility in the republics.

I also think the greater openness will provide us some of the opportunities that the Soviets have had in this society for so long.

At the same time, as you suggest, the fact that we now have to think about fifteen capitals rather than one in the former Soviet Union clearly is a complicating factor.

I think that the biggest complication though is the following. I have a good friend who describes the information that policymakers want to know as falling into two categories. Secrets and mysteries.

Secrets are things that are ultimately knowable, stealable. You can find them out. They exist. You can target them. You can go after them.

Mysteries are those things where nobody knows what the answer is. And frankly, I think over the last number of weeks and in some respects the last couple of years, the number of mysteries that we are trying to cope with and trying to understand in the world is increasing geometrically.

Senator GORTON. Fewer secrets and more mysteries?

Mr. GATES. Exactly.

Senator GORTON. In that connection, and you did at least in part answer this question to Senator Cranston, do you believe that the dangers of some kind of nuclear accident, given the huge number of warheads in what remains of the Soviet Union or what was the Soviet Union, has increased in any measure comparable to the obvious decrease or almost total loss of a thorough, thought out Soviet government policy decision to use nuclear weapons?

In other words, is the possibility of some kind of nuclear accident—secrets have gone down and mysteries have gone up. What about the balance there? Through all the years of the Cold War, our concern was that someone might rationally take the decision in the Soviet Union to begin a nuclear exchange. Now that's almost disappeared. But how much has the chance of an accident increased?

Mr. GATES. I think that, without being an expert on it by any means, my judgment, Senator, would be that the chances of an accident or the theft of a weapon actually has decreased. Because over the past couple of years, the Soviets have taken—the Soviet

military have taken—some important steps to consolidate the storage of their nuclear weapons, to take them out of areas that are—where there is a lot of conflict, where there is a particular danger of some particular group or another trying to steal one of the weapons. They have enhanced the security forces around most of their facilities as far as we can tell.

So I would make the overall judgment—I may be wrong, but it is my judgment—that if anything the weapons are probably somewhat more secure today than they were perhaps two or three years ago, just because of a heightened sensitivity to their vulnerability.

Senator GORTON. This morning, there was at least an implied criticism for a shift in priorities on the part of the CIA in late 1988. You now must be in the process of going through a determination as to how to shift that priority.

Could you outline for me whether or not you think the need for intelligence, both as to intentions of present governments and the stability of those present governments has increased or decreased in other important parts of the world. I guess I sort of ask you to start with the People's Republic of China and perhaps some of the other East Asia nations which have not shared in the reforming fervor of the Soviet Union. And then maybe speak to the same subject with respect to the Middle East, to Iraq particularly, but to any other government there to which you think the question might apply.

Mr. GATES. I certainly would agree with the premise of the question in terms of the importance of additional information and analysis on the remaining closed societies in the world. The number is dwindling. And I think that they probably feel increasingly threatened.

And the question is whether they will respond to this heightened sense of vulnerability by change and reform or by resistance and taking actions that are contrary to our interests and our perception of their interests.

In those conditions, clearly understanding better of what's going on inside China and particularly in the leadership, in Vietnam, in North Korea—North Korea is a particularly troublesome example where you have a totally closed society, one that has some disturbing developments in its own nuclear program. So that I think these are all areas that we have to pay a lot of attention to.

Clearly, Iraq is—continues to be a very serious problem. There is no—we find ourselves—or I find myself looking on amazed that Saddam Hussein does not seem to have learned anything as a result of the war. And he continues to cheat, he continues to try to obstruct the U.N. Inspectors. When his hand is called, he concedes just enough to get himself out of a corner and then turns right around and cheats again. His actions toward his own people haven't changed.

So as long as he is there, that is clearly going to be an important target for American intelligence in terms of trying to find out what is going on.

Chairman BOREN. I think we are going to have to stand in recess for about fifteen minutes or a little longer. Now, Senator Gorton, do you have additional questions?

Senator GORTON. I think I may.

Chairman BOREN. We will return after these three votes at approximately 3:00 o'clock. We will continue with Senator Gorton and then Senator DeConcini will be the next questioner.

[A recess was taken from 2:45 o'clock p.m. until 3:26 o'clock p.m.]

Chairman BOREN. We will come back to order. I remind the nominee he remains under oath.

Does the nominee recall that?

Mr. GATES. Yes sir.

Chairman BOREN. While I am waiting for my colleagues to arrive, there are 2 or 3 questions for the record that I would like to address to you that relate to the Iran-Contra matter from the point of view of my responsibilities institutionally to the Committee. I was not able to complete in my opening round so let me, as we are waiting for other Members to appear, ask those questions.

The statement of the government in the Fiers plea bargain agreement states, in essence, that on October 9th, 1986, Clair George ordered Alan Fiers to limit his testimony to the Senate Foreign Relations Committee in order to, quote, "Not turn the spotlight on activities of the NSC Staff." At 6:30 p.m. on that afternoon of October 9th, the day before the testimony is to be given, Director Casey's schedule shows that he met with you, Clair George, Alan Fiers, and your Congressional Affairs Officer, David Gries, to discuss the testimony the following day. Do you recall that meeting?

Mr. GATES. No sir, I do not.

Chairman BOREN. Do you recall whether there was any direction at all, either at that meeting or at any other time, by Mr. Casey or any suggestion by Clair George that the testimony should be limited in order to not turn the spotlight on the Administration?

Mr. GATES. I have no recollection of any such thing, Mr. Chairman.

Chairman BOREN. As far as you can remember that phrase was not used in your presence in regard to the Fiers testimony?

Mr. GATES. No sir, and I believe that if it had been, I would remember.

Chairman BOREN. Fiers' plea bargain agreement also says that before this meeting, he'd called Colonel North and asked him if the Hasenfus plane was one of his. North confirmed that it was. And at this meeting on October 9th, with George, Fiers or at any other time, did Mr. Fiers or Mr. George tell you that the Hasenfus plane was one of Ollie's?

Mr. GATES. No sir.

Chairman BOREN. Did you discuss this at this meeting or any other meeting that you can recall with Mr. Fiers, what he thought North had been doing?

Mr. GATES. No sir, I don't have any such recollection.

Chairman BOREN. Why wouldn't you have discussed with Mr. Fiers whether or not he had any suspicions about what Colonel North was doing?

Mr. GATES. Again, Mr. Chairman, my attention was focused to the degree that I'd had contacts with Mr. Fiers on the future program, and I was simply focused again, the questions had been raised in the press and by the Congress on the 9th had to do with Hasenfus' claim that he had thought he had been working for some CIA people. And so my focus was wholly on ensuring that CIA had



not been involved in any way with that operation. As I was really focused more on the question that was being posed at that point by the press and the Congress in response to specifically what Mr. Hasenfus had alleged.

Chairman BOREN. Let me ask you again. Do you remember Mr. Fiers or Mr. George ever coming to you and telling you that they suspected that this plane was one of Ollie North's planes?

Mr. GATES. I have no such recollection, Mr. Chairman.

Chairman BOREN. The other question is this. The Committee interrogatories asked about a memorandum for the record relating to a meeting with Admiral Poindexter that you wrote on July 11, 1986. The memo said you raised the subject of a CIA officer named Vince Cannistraro remaining at the NSC staff as Poindexter had requested.

Mr. GATES. Yes sir.

Chairman BOREN. Now your memo stated, and let me quote from it, "I also repeated our concern that should Vince take over the Central American account, that he have nothing to do as a CIA employee with the private sector people Ollie had been dealing with in support of the Contras."

Do you remember that?

Mr. GATES. Yes sir.

Chairman BOREN. The Committee asked you what you understood North's role to be vis-a-vis the private benefactors and your response states on page 34, and I quote your response, "My understanding was that Lieutenant Colonel North spent some of his time and effort encouraging private citizens to donate money to the Contras, and I assumed that he had a role in putting those two groups together with one another."

Was that the extent of your understanding of North's relationship with the private Contra resupply operation?

Mr. GATES. Yes sir.

Chairman BOREN. In your deposition for the Iran-Contra Committees you replied to a similar question. You testified as follows regarding Colonel North, and I quote your testimony, "Most of what I knew, I knew from allegations in the newspapers. My understanding of what he was doing at the time was that he was basically holding the hand of resistance leaders, offering them political advice, and staying in touch with them. That he was encouraging, with presumably others in the White House, encouraging private Americans to donate money to the Contras. And I presume that he had a role in putting these two groups in touch with one another."

You were asked specifically about your knowledge as of the time of the October 1986 hearings of the Hasenfus flight. Question: "Were you aware of any connection between North and the private benefactors as of October 1986, other than North's general involvement with fund raising?" I quote your answer, "Mr. Gates: 'In an advisory capacity no, certainly not in an operational sense.'"

You have also testified in your answers to us, perhaps it was in your written interrogatories, that you asked Colonel North at one point at the lunch in the Director's office on October 9th, whether or not there was any CIA involvement in the private resupply operation. Do you remember my asking you that question?

Mr. GATES. Yes sir.

Chairman BOREN. Well my question to you is this. If, as you have indicated to us, you had no belief that Colonel North was acting in an operational capacity, or operationally directing the operation, but rather merely in an advisory, fund raising, hand-holding, putting-people-together capacity, would then you have asked Colonel North whether there was any CIA involvement in an operation?

Mr. GATES. I had already asked our operations officers, I think Mr. George, whether CIA had had any connection and I had received a negative answer.

I was trying to cross every 't' and dot every 'i' and I knew that Mr.—Colonel North was in touch with the private benefactors and I was just pursuing a long shot that perhaps one of these people had said something about a proprietary or something like that that might give some indication or that he might have heard about. There was nothing more to it than that.

Chairman BOREN. It did not reflect a suspicion on your part that he was more deeply involved in operations and, therefore, he could give you an educated answer to your question?

Mr. GATES. No sir. Mr. Chairman, in some respects my views of that were shaped by having served on the National Security Council myself under three different Presidents by that time. I worked on the NSC under who I would regard as the three most powerful National Security Advisors in post-war history—Kissinger, Brzezinski, and Scowcroft—the idea that a junior NSC staffer would be involved in the kind of thing that later was revealed, frankly, was—totally amazed me.

Chairman BOREN. Thank you very much.

I see Senator Gorton has returned. In your absence I had two or three more questions for the record to close out the items I had raised in my preliminary questions on behalf of the Committee.

Let us return now, Senator Gorton, to the completion of your questioning.

Senator GORTON. Unfortunately, my last question was a rather long and involved one and as I remember, Mr. Gates got through his assessment, brief assessment, of China, North Korea and the like, and he may have said something about Iraq as well.

Did you finish and say everything that you wanted to in response to my question about what you thought the dynamics in both the East Asia and Southeast Asia were?

Mr. GATES. Yes sir, I think so.

Senator GORTON. Okay. My next question then would relate to your present assessment of the danger of terrorism.

Obviously, while Americans and others were deeply concerned about wide-spread terrorism during the war with Iraq, it did not take place. It seems to have lessened throughout the world fairly steadily during the course of the last decade.

With these profound and tremendous changes of the world, will you find it necessary to keep an equal attention paid to potential terrorism or do you think that something profoundly has changed which undercuts the base for that kind of activity?

Mr. GATES. Two points in response, Senator. First, I think that the relative absence of terrorism in the period before, during and after the war with Iraq is one of the great success stories of CIA. The agency had a remarkable amount of information on people



who they thought—Iraqis abroad that they thought had terrorist connections or that might be involved in helping facilitate terrorist operations. This information served as the basis for a number of overtures to foreign governments. Many people were expelled from the countries in which they were resident at the time due to the information that CIA provided. And I think that this is a real success for them in terms of the war.

So I think that the objective information was that actually there was a fair amount of terrorist activity during that time and the Agency was unusually effective in being able to thwart it or prevent it.

The second consideration is that I think we came to a greater appreciation of the degree to which these terrorist organizations are subject at least to the influence of some of the governments in the Middle East. And the fact that those governments were sympathetic to our objectives in the war, I think led to them taking a role in helping to inhibit some of those terrorist activities.

So I think we have to face reality in terms of the potential influence of some of those governments in terms of our policy as well.

Senator GORTON. And one other question, as part of the world with which both our government and many Americans have concern, Southeast Europe, the Balkans. Are you relatively satisfied with the degree of our ability to obtain intelligence, specifically in Yugoslavia. Were you able to foresee in any respect the terrible events which are going on there now? And are you relatively content with the amount of attention we pay to others of those newly liberated from communism nations? And are you concerned about any of them turning into a Yugoslavia?

Mr. GATES. Senator, I think Yugoslavia is another success story for the Intelligence Community. They published an estimate two or three years ago forecasting precisely the kind of developments in Yugoslavia that have in fact taken place. It was an estimate that I think was, at least in general terms, absolutely on the mark.

When it comes to Yugoslavia and that area, I must say that I am almost more tempted to turn to my history books than to my briefing books, because the events and the fragmentation and the ethnic conflicts—what we are seeing in the Soviet Union and Yugoslavia and some of these other places is in effect a resumption of history. A history that was interrupted in 1914 and then by the revolution in Russia in 1917 and frozen in place by Communism in the post-war period. And so all of these old antagonisms are coming to the fore again.

I don't think anybody can be optimistic about the future for Yugoslavia right now. And there clearly are separatist feelings in a lot of different countries. The Macedonians just had a referendum, I think a week ago, saying that they wanted to be independent. Well, that affects Greece, Bulgaria, and all these old conflicts coming back to the present.

I think the Community has done a pretty good job of focusing on those conflicts and in terms of being prepared to deal with the tensions and the stresses that are coming about. I wish that our policy options in terms of how to try and help cope with these problems were as good and as valid as the intelligence we have been getting on them.

They are very tough situations.

Senator GORTON. Mr. Gates, and Mr. Chairman, I think maybe I will stop while I am ahead and while at least with me you are ahead, Mr. Gates. In all of my talks during the course of the last 2 or 3 weeks I have been calling communism collective cryogenics—you come out of it in exactly the form you went in, and we are seeing history repeated.

Mr. Chairman, thank you.

Chairman BOREN. Thank you very much, Senator Gorton. We will turn now to Senator DeConcini for his rounds of questions.

Senator DeCONCINI. Mr. Chairman, Mr. Gates thank you for your time and thoughtfulness. I have been listening to some of the questioning here that you have given to Committee Members. Indeed it is helpful to have you expound on your reasoning even if we happen to disagree with it. It helps me to understand how some of these things occurred. One of the things that occurred and one of the things that I am very concerned about and maybe you can shed some light on it, and maybe it is a practical part of being a Deputy Director or the head of intelligence; the issue that is constantly being raised is the politicizing, or as has been said so many times, cooking the intelligence or massaging it to come out in the manner that somebody else wants—usually a superior or somebody at the White House. As I said in my opening statement, this country has spent hundreds of billions of dollars to develop what I believe is the most sophisticated intelligence gathering operation in the world and yet there seems to be this politicization problem, maybe you can shed some light on it.

President Bush wrote in his autobiography, and I quote from my opening statement, "The CIA director should go out of his way to avoid even the appearance of getting involved in any policy making. The Agency's sole duty outlined its 1947 chapter is to furnish intelligence data to the President and other policymakers." You have written on this issue yourself in a Foreign Affairs magazine called *The CIA and American Foreign Policy*, 1987-88. You wrote, and I quote, "There is no charge to which those in the CIA are more sensitive than that of cooking intelligence or slanting its reports to support policy. Therefore it is important to understand the distinctions between personal and institutional views. National Intelligence Estimates are reviewed and coordinated by a dozen agencies. CIA assessments are widely reviewed inside the agencies but almost never, ever seen by the Director before being published and circulated."

My first question deals with a 1984 incident where a National Intelligence Estimate on Mexico was put together for the Agency by John Horton. He has been contacted by our staff. Mr. Horton pays you high compliments, I might say, in your total observance of the position. Mr. Horton was in charge of drafting an intelligence evaluation among the United States Intelligence Community on Mexico. At the time of this incident, you were serving at the Agency as the Deputy Director of Intelligence and the Chairman of the National Intelligence Council. Is that correct?

Mr. GATES. Yes, sir.

Senator DeCONCINI. I just want to be sure that I am talking to the right person here.

Mr. GATES. Yes, sir.

Senator DECONCINI. At then Director Casey's request, Horton assigned an analyst to prepare that NIE on Mexico. The draft on Mexico included the statement, quote, "One in five chance that during the next few years internal and external pressures would result in a political destabilization of Mexico". Horton disagreed with the estimate because it could not be substantiated by intelligence, so he tells us, while Director Casey was supportive and he pushed for these findings in the final draft. It has been conveyed to us that Horton took his complaints to you on 2 different occasions in regard to the draft estimate, but to no avail. The NIE on Mexico was printed and included the 1-in-5 predictions which Horton disagreed with, as did the State Department, DIA, Army, Air Force, and Marines. Mr. Horton, as I said, expressed a lot of respect for you, and wasn't necessarily fingering you out. He related to us how this report came out and how his concerns were ignored.

Nevertheless, I would like to know more about your personal opinion and your personal involvement with this activity. If I can refer to the draft Mexico Intelligence Estimate and what steps that you took regarding this, and did John Horton come to you and discuss his concerns with the draft Intelligence Estimate on Mexico? Do you recall?

Mr. GATES. Yes sir. The origin of that estimate was the travel of a long-time CIA analyst and specialist on Latin America to Mexico. This analyst had worked for the Agency for some 20 years I believe.

He visited places in Mexico where our embassy usually didn't circulate very often. He got to the suburbs of Mexico City, he traveled elsewhere in the country-side, and he came back and wrote an essay that was as you suggest, very pessimistic about the prospects for Mexico. He was very pessimistic about whether the PRI, the Mexican Revolutionary Party, had the old strengths that it had had, and so on.

He and the NIO disagreed on the seriousness of the problem. Again this is a very senior analyst that we are talking about. He was, I think at that time, perhaps even chairman of the analytic group, the small group of analysts that work for the National Intelligence Council.

My understanding, or my recollection of it is that that estimate went through 4 drafts before it ever left the National Intelligence Council. And when it reached Mr. Casey, Mr. Casey's primary concern—he knew the analyst from some work he had done on Castro, had a lot of respect for him—and he was worried that a new and disturbing analysis was being ground down into oatmeal by a conventional wisdom. And that the challenge to the conventional wisdom was slowly being erased in the process of the coordination of the draft.

In the event that draft ultimately went through, or that piece of paper, went through 9 different drafts. A new key judgments was drafted at one point. The analyst and the NIO, there was a great deal of antagonism there. I think it is fair to say that Mr. Casey did not treat the NIO with kid gloves. It was a fairly rough and tumble process. But the ultimate product was an estimate where although the agencies that you have mentioned took a footnote dis-

agreeing with the primary conclusion, I think that there were five or six agencies that concurred in the estimate.

Senator DECONCINI. Could be.

Mr. GATES. And because of the stories in the newspapers about this, the House Intelligence Committee examined this issue in late 1984 or early 1985. And they issued a report in which in essence they concluded that there had been no slanting of intelligence and in fact applauded the fact that on the first page of the estimate, the disagreement within the Community and presentation of alternative views had taken place.

Senator DECONCINI. Well did Horton bring to you his concerns a couple of times or more?

Mr. GATES. I am sure that he probably did.

Senator DECONCINI. And did you give them your professional consideration or did you pretty much dismiss them?

Mr. GATES. I think that there is one account that—in an interview that he made, or that—in something I've read, where I really don't remember, but there is one account that says that I offered a compromise to him, that I tried to broker a compromise between him and the analyst and others involved in the process and that didn't work either and we ended up with the product that we had.

Senator DECONCINI. Is that correct? That you did try to get a compromise?

Mr. GATES. My recollection is that there is something like that, yes sir.

Senator DECONCINI. Well, as Deputy Director, were you the primary person responsible for ensuring that the intelligence estimates were what they finally came out at?

Mr. GATES. It was my responsibility, yes sir, to ensure that the alternative views were taken into account.

Senator DECONCINI. Did you raise the concerns of Horton's and others with Casey when you delivered this to him?

Mr. GATES. Oh, yes sir. It was a major battle in the Agency.

Senator DECONCINI. And what was Mr. Casey's position, just out of curiosity? Was he bent on one direction or another?

Mr. GATES. He had been reading in the open literature some books or something about Mexico and he too had become very pessimistic about the prospects. And I think it was in that vein that when he received the analyst's essay that he was struck by it and sympathetic to it.

But my primary recollection is that his concern was that the conventional wisdom that everything was going to be all right, everybody relax, not be washed out of the estimate. That was the primary concern that I recall him having.

Senator DECONCINI. Are you satisfied you did everything, Mr. Gates, to be sure that this final draft and estimate was not slanted in a way that Mr. Casey or somebody else wanted it?

Mr. GATES. I am comfortable that the draft—that the estimate that was published—represented fairly the views of those involved in the process. I probably could have done more to make the process a little smoother and a little less abrasive.

Senator DECONCINI. I looked at one of these reports in the last couple of days and it deals with another area I want to talk about, in the area of Mexico, and that's the increased participation of the

U.S. Intelligence Community in the war on drugs. You mentioned that in your opening statement to some extent.

There are a number of law enforcement people that raise the question about the CIA's mission here, whether or not they can really be constructive or not. I have a problem with it, and maybe you can help me. The reason for law enforcement's lack of confidence is mainly CIA's work in Mexico, and its failure in this 1984 report to delve into the corruption and the drug dealing within the special police, DFS. And of course its dealing with Manuel Noriega. We will get to that later—maybe in the closed session.

In your opening statement, you single out the international drug cartels. I was pleased to hear that because I think it's important that it really be on the mind of the CIA Director. However, during the exact time when the Mexican drug cartels were gaining power and influence, the CIA in my observations, and I realize hindsight is wonderful, really was doing very little in the drug area.

The 84 estimate on Mexico which of course was drafted and disseminated when you were the Deputy Director, totally ignored the growing power and influence of drug trafficking organizations, and the massive corruption within that society and within that government.

For years here, Senator D'Amato, Senator Helms, now Governor Wilson and myself were fighting the certification of Mexico that the Reagan Administration kept sending up.

These concerns were ignored and maybe they were ignored because the CIA was not giving the Administration any information. At least in their 84 estimate they didn't give any information about it that I can find.

It was very clear then and now that the Colombia drug cartels were deeply involved in Mexico. I believe things could be different today in our efforts to fight the war on drugs if the CIA had emphasized what some of us thought was very clear.

As the Deputy Director in 84, why did the 84 Mexico Intelligence Estimate not mention, not even mention narcotics and the growing influence of drug trafficking organizations in the Mexican government? Do you know?

Mr. GATES. No sir, I don't. The only thing that I can say to you I think is that I think CIA did come late to the narcotics problem. I think that, beginning in the mid 80's, we began devoting the kind of resources to it that the problem required and the creation of the Counternarcotics Center two or three years ago, I think three years ago, to bring a focus to the problem. But I would acknowledge that we came late to the problem.

I also know that there has been friction over time between CIA and law enforcement agencies in terms of the intelligence that CIA collected, because the law enforcement agencies want to use that information in court. They want to use it to prosecute people. And there is a concern in CIA, naturally, for the protection of sources and methods. And to be able to prosecute that would require revealing the sources and methods. And there has been a tugging on that and I think that they have made some headway in working out ways to deal with that problem.

Senator DECONCINI. Let's talk about that problem for a moment.

You know as the CIA Director or the Deputy Director, if indeed your mission is to gather intelligence information on drug cartels, and if you give it to the DEA and they want to go after somebody and use it, you are in the position of saying, wait a minute, we've got to protect the source here. Isn't it really up to the Justice Department to decide whether you can burn this source? Don't you have an obligation, if this is your mission, to convey that information to law enforcement and then let the Justice Department decide whether or not they are going to use any of that information in the prosecution?

It really troubles me that you are in contradiction with exactly what your mission is. Because when you have a good source, you don't want to tell DEA about it or another law enforcement agency, such as Customs, because you are afraid that it might be exposed. It seems to me to be a contradiction that has to be resolved by the Attorney General, who is the person who decides who to prosecute and what information to use. He is surely going to listen to the head of the CIA.

How do you feel that should play out?

Mr. GATES. Well, I certainly feel that all of the information should be shared with the law enforcement authorities. I think that the question of what happens to a source is something where the DCI would have special concerns. These people are recruited, engage in a relationship, provide information, and for the United States unilaterally to put their lives in jeopardy when they have provided this information, I think is a serious matter. And that's the issue that comes up when questions of going to prosecution occur.

And that becomes inherently difficult. It's a process that I certainly wouldn't have any problem working at through a dialogue with the Attorney General. But I think one does have to be awfully careful about a unilateral decision to expose a source that—

Senator DECONCINI. I can appreciate that, but do you think that the reason that this drug information was left out back in the 84 Estimate was the fact either, one, that the Agency wasn't up to par and up to speed on it, or two, that in fact, the Agency was deeply involved with the DFS organization in Mexico and didn't want to disclose what was really going on?

Mr. GATES. I think that it—from my standpoint as Chairman of the National Intelligence Council and Deputy Director for Intelligence, I would say it was the first reason.

Now it may be that the second reason had to do with why the analysts didn't have more information about it that would then lead them to take the problem more seriously. But I think that the analysts were not trying to protect anybody or cover up for anybody.

Senator DECONCINI. Well, let me ask you then, Mr. Gates. If you are confirmed here as the Director, how much priority are you going to place on narcotics information gathering—say on Mexico? In the next report that has your name on it, that you disseminate here, is it really going to tell everything the Agency knows about the narcotics problems, even if it involves some sources and methods that you will have to deal with if anybody wants to use for prosecution purposes? That's what I am interested in.



Mr. GATES. First, Senator, I would—I think that narcotics has to be one of the Agency's top priorities.

Second, I think that any analysis that—or assessments that deal with Mexico or other countries are going to have to deal very graphically and in detail with the role of narcotics traffickers and the political system. And I think that the Agency has done a pretty good job of that in countries like Colombia and Peru and elsewhere. We need to make it—

Senator DECONCINI. Well, quite frankly if you read the reports on Colombia and Peru, and I have, it really gets into it. If you read the report on Mexico, and I am no analyst, but I know enough about Mexico and I know enough about law enforcement intelligence briefings that at least in the 84 report, it didn't put it in.

I am not saying that you are to fault because what has happened has happened. You admitted you made mistakes and I admire anybody that can do that. I certainly have made my share. What troubles me is what are we going to do in the future. How are you going to be able to convince at least this Senator—maybe no one else cares—that by God, even if it's a problem with the international community to tell the whole truth about the narcotics problem with a good friend like Mexico, we are going to do it because those who have the right to know, and the need to know, have got to have that information. They didn't get it from the CIA in the 84 report.

Mr. GATES. Again, Senator, I believe that the reason was that we simply didn't take the problem seriously enough at that time. I can assure you that any assessments of that kind I think in recent times and in the future would be just as candid as the facts require.

Senator DECONCINI. Well, do you have any realignment or ideas of what you are going to do in the CIA if and when you are confirmed as to how you are going to change this so that it doesn't happen again? Is there some problem that you know that could be addressed so that this wouldn't happen again?

Mr. GATES. I think that with the creation of the Counternarcotics Center and the broader availability of the information, that it will come to the attention of the analysts and can be incorporated in these estimates. And I believe that the work that has been done on some of the other Latin American countries would bear that out. And I certainly would pay special attention to it.

Senator DECONCINI. Let me just point to another area and I don't know for a fact, but there are some reports that Syria has been involved in narcotics trafficking through Lebanon. I wonder, in your capacity at the White House recently, did you have access to intelligence information regarding that? And if that's classified information, I can understand that and you can discuss it later.

My point is, when you were outside the Agency did you feel that you had the full picture of what the CIA had or should have had on Syria's dealing in narcotics?

Mr. GATES. I have had the feeling that what was available to the Agency was available to us. Of course, it is a classic question, you don't know what you don't know.

But there has been enough very specific information that has come to us on a variety of countries around the world and involve-

ment of their government that I would have no reason to doubt that they would provide it on a government like Syria.

Senator DECONCINI. If you didn't have all the information, would it be fair to say that you would be pretty upset about it in the position of Assistant National Security Advisor?

Mr. GATES. I think that if the intelligence agencies were holding back relevant information from us, that would be a problem, yes sir.

Senator DECONCINI. What if the intelligence agency, when you say holding back, was just not putting it into the draft that you were going to get? That would be pretty serious, wouldn't you say?

Mr. GATES. I would say that we ought to be pressing from the policy community to find out what was going on in those countries.

Senator DECONCINI. My point comes down to the fact that when and if you are the Director, it's going to rest with you. You are the one who is going to have to say, look, we've got to put in this stuff that might not exactly be what we want. Or what somebody else upstairs wants.

I'm getting to the point, Mr. Gates, that my concern is are you prepared to put everything into a report that's going to go to the National Security Advisory or to the President of the United States even when you know that there is a policy decision from the White House to treat this country tenderly because of other concerns? Are you prepared to tell the whole story, so all of it is there, regardless of any policy decisions?

That's really my question. I am sorry I have taken so long to get to it.

Mr. GATES. I am, absolutely, Senator. And I believe that the record that Senator Danforth referred to earlier of being willing to present disagreeable estimates to the Administration in the White House at the time would bear out that I am prepared to do that.

Senator DECONCINI. Because to me that is the bottom line here.

Mr. GATES. That's what it is all about, Senator.

Senator DECONCINI. What it's about with you? You are a very respected analyst that has been around and knows a lot and has done a lot. The question is, and all I can take is your word, that someone in the White House isn't going to be able to convince you, don't put it in. You don't have to lie about it, just leave some stuff out that is going to be awkward. I think that's the worst thing the CIA Director can do.

Mr. GATES. I agree with you, sir.

Senator DECONCINI. It's bad enough when they don't tell the Congressional Committees; I understand that a lot more than I do when they don't put it in a report that's going to be disseminated to the President.

Mr. Chairman, I don't know how much time I have left to—

CHAIRMAN BOREN. About ten more minutes if you wish.

Senator DECONCINI. Okay, thank you. I do, Mr. Chairman. I am sorry for those who have to wait here, but I do.

Mr. Gates, in January, 1990, I signed onto a letter—this goes to the BCCI issue so you can put that cap on—with Senator Metzbaum to Attorney General Thornburgh which expressed our disappointment with a plea agreement the government reached in its money laundering case against BCCI in Tampa, Florida.



A couple of weeks after that letter was sent, I met in my office with two officials from Justice Department, Charles Saphos, head of the international criminal division, and Thomas Reinhart, head of the legislative affairs, to discuss my concerns. During the meeting in my office, Saphos detailed for me why the plea and the fifteen million dollar fine against BCCI was a good deal. That several of the individuals involved in the case were providing valuable information and that a major investigation against a number of individuals in the bank was forthcoming.

Not once during our lengthy meeting did either of them mention any type of intelligence information or any other kind of assistance regarding BCCI being provided to Justice by the CIA.

In that meeting, Saphos was using a strong argument with me for the Justice Department case against BCCI. Certainly this was a time to use all information available, however, he did not mention the CIA because they hadn't provided any of the information that they now have.

And two months ago, the BCCI scandal broke into the news. I had my staff invite the Justice Department to come back and explain what was going on—which they did. Assistant Attorney General Robert Mueller, who now has authority over the BCCI case, and Tom Rinehart came in and updated me and frankly the explanation they gave me was not what I wanted to hear, but as a former prosecutor I understand things change and you don't always have the case that you think you have.

Nevertheless, the thing that troubled me most about the meeting with Mr. Mueller was the blank look on his face when I talked about what the CIA was doing with BCCI. Mr. Mueller and Mr. Rinehart knew absolutely nothing about your Agency's work against BCCI.

To make matters worse, the headlines in the Post the next day has Richard Kerr of the CIA telling a group of high school students that the CIA had distributed intelligence information on BCCI to a number of agencies and that they have been doing it for many years. I am not sure he was quoted right. Often that paper and others don't get it exactly right.

However, Mr. Gates, in 1988 you provided information on BCCI to William Von Raab. I have talked to him and he considers himself a supporter of yours. He has been misquoted, he says.

Nevertheless, if that is accurate, that you did provide information, and you made reference to Mr. Von Raab about the bank being a bank of crooks and criminals, and you sent a report over to him as he says you did, why didn't you make any of this available to the Attorney General? Or to somebody in Justice? Or did you?

Mr. GATES. Senator, let me get to the 1988 exchange that I had with Mr. Von Raab in just a moment.

CIA began collecting information on BCCI in late fall of 1984 at the request of the Treasury Department. The information that they asked for was gathered and the Treasury Department was briefed in January of 1985. Someone in the Secretary's office and also, I understand the number two man in the Comptroller—Office of the Comptroller of the Currency.

At CIA—and there is apparently a clear record of CIA having a continuing dialogue with Treasury with requirements and require-

ments satisfied and information provided and so forth during that period.

There was a collection of this information put together in a report prepared by the Directorate of Operations in September of 1986. When Mr. Von Raab—I can't recall exactly the scenario, but Mr. Von Raab, I think, made contact with me at some point in 1988 to say that there was a—they had a prosecution going on in Florida and was there any problem in pursuing that prosecution in terms of CIA operations.

I called in a couple of operations officers and by their recollection, in about a ten minute briefing, they gave me a couple of examples of the kind of illicit activity that BCCI had been involved in. I then—and assured me that there was nothing that would be affected on the part of CIA by them going forward—by Customs going forward with their prosecution.

I called Mr. Von Raab and told him that there was no reason why he shouldn't go forward with his prosecution and offered to send him this September 1986 report. And I did that.

My understanding is there was another major report, a compilation of this information put together in May of 1989.

These reports were sent to a number of agencies. In both cases, they were sent to the Department of the Treasury. I think one of the two were sent to the FBI. Others were sent to the State Department and other agencies of the government.

I think that the Agency—in trying to piece this together, I think that the Agency frankly has had a little difficulty in figuring out exactly to whom they should send this kind of information. And they have relied on Treasury to inform the appropriate enforcement officials. And I think that was not an unreasonable assumption.

The question has been asked about why the Agency didn't provide the information to the Federal Reserve. CIA has had a very awkward relationship over the years with the Federal Reserve.

Senator DECONCINI. I am not interested in that. Why not to the Justice Department?

Mr. GATES. I think that the people in the Operations Directorate who disseminated these reports—first of all, the source was a new source and they weren't quite sure how to handle it because it was particularly sensitive. They were clearly not experts on banking regulations or the law enforcement aspects of this. And I think they just made the assumption that the Treasury Department would take whatever action was necessary, especially given the degree of dialogue that there had been back and forth with Treasury.

Senator DECONCINI. But you were there. Did you know about it? Didn't it occur to you that if you were referring to this bank to the Customs Commissioner as the bank of crooks and criminals, it must be some heavy duty stuff that Justice should have? Did that not occur to you?

Mr. GATES. I do not recall being told that there was anything that would be appropriate to send to Justice. I have to admit that this issue I think came new to me when I got this position in 1988.

Senator DECONCINI. Do you recall referring to the BCCI as a bank of crooks and criminals?

Mr. GATES. Well, as I've put it back together, I would like to take credit for being that clever, but actually it was one of our operations officers who said that that was the term that it was known by in Europe.

Senator DeCONCINI. I guess there's no beating a dead horse in the fact that you didn't think it was necessary to turn it over. That is amazing to me. I guess what I want from you, Mr. Gates, is what would you do now if you had this information? Do you think the CIA owes it to the chief prosecutor, the chief law enforcement agency—not Treasury, not the Federal Reserve, not Customs—when they have an organization that is known as a bank of crooks and criminals, that Justice should have been informed?

Mr. GATES. Well, Senator, it's easy to concede the point and I will, but I do think that it was a fair assumption to make at the time that the Department of the Treasury and the Office of the Comptroller of the Currency would assume responsibility for the law enforcement aspects of the information that had been provided to them.

Senator DeCONCINI. Excuse me, Mr. Gates, but you're aware that the Department of Treasury doesn't have prosecutorial authority, are you not? They can investigate.

Mr. GATES. Yes, sir.

Senator DeCONCINI. If they decide that a law is broken, what do they do? Like any other agency, they go to the Department of Justice. What are you going to do in the future, Mr. Gates, if you come across such organizations as the bank of crooks and criminals, and you think that there are laws broken and you've only been asked by the State Department or the Commerce Department or the Treasury Department, do you feel that it's your duty to talk to the Attorney General at least, or somebody in Justice?

Mr. GATES. I will see to it that Justice is informed, Senator.

Senator DeCONCINI. That will be a policy in the CIA when you are confirmed, if you're confirmed?

Mr. GATES. Yes sir.

Senator DeCONCINI. Thank you. Mr. Chairman, thank you.

Mr. Chairman just a point of inquiry, Mr. Chairman. I have more questions and I know my half hour is up. What is the Chairman's plan?

Chairman BOREN. Senator DeConcini, our hope is that, we still have Senator Hollings and Senator Chafee, Senator D'Amato and Senator Glenn have not completed their opening rounds. There are two or three Senators, at least, including yourself, that have indicated to me that they have more questions.

My thought is that since we are going to have these other witnesses on Thursday, outside witnesses when we come back, that it would probably be more appropriate, is to come back and if anyone doesn't have a chance their first questions, which I hope we will be able to complete this afternoon, and certainly those that want to come back for additional questions, we might come back after we have had our two closed sessions. That way, if there are any other items that have come up during that period that would be additional questions for Mr. Gates, we would have had all—everything before us at that time, with him as our concluding witness so that all these additional questions could be asked.

Senator DeCONCINI. Mr. Chairman, I find that very satisfactory because some of the questions I have I believe do touch in the area of confidentiality he can answer in the closed session.

You're planning a closed session with the nominee?

Chairman BOREN. I would think that we are likely to have both a closed and an open session with the nominee to conclude.

Senator DeCONCINI. I thank you.

May I have just a point of personal privilege for just 15 seconds?

Chairman BOREN. Certainly.

Senator DeCONCINI. Mr. Gates, I have been listening to many of your answers, particularly on the Iran-Contra scandal so to speak, and I'm impressed with your candor, I want you to know that, notwithstanding my concerns that I've expressed this afternoon in my line of questioning. I can't say I can understand how you didn't know all of those things, but I appreciate your candor with this Committee. It would be a lot easier, and quite frankly I thought you were just going to say I don't remember, I don't remember, that's an easy way out, but you've gone beyond that and I want you to know this Senator appreciates that.

Thank you, Mr. Chairman.

Chairman BOREN. Thank you very much, Senator DeConcini.

Senator Hollings is here so we'll proceed with his questioning. Let me say to my colleagues again, I want Senators to take as long as they need and we'll come back to more questions. I have sent for Senator Chafee and Senator D'Amato and I hope they're on the way. So we're going to be very sensitive to this and it may be that we will have to come back even for some opening rounds when we have the witness back. But Senator Hollings, I appreciate your yielding to Senator Metzenbaum. He asked that I express his appreciation to you as you begin your questioning and we'll turn to you now for any questions you might have.

Senator HOLLINGS. Well, I thank you very much Mr. Chairman.

And Mr. Gates, I reiterate what Senator DeConcini has said. We've been watching. While I yielded I didn't yield attention. On the contrary, all of us, many here for example that are not seated at the table at the very moment have been following this back in our offices, trying to keep up with this and also keep up with the vote on the Floor and a couple of other things of that kind. Much more conveniently done than sitting under these klieg lights.

You remember my misgiving at the opening that here in April of 1986 you were confirmed as Deputy Director of Central Intelligence and pledged that you were going to be involved in all aspects of the intelligence game? Covert or otherwise? Because there was some misgiving that the Deputy Director was not totally involved, that Mr. Casey couldn't know everything, but that you were going to "integrate our offices so that I would be involved in all areas of decisionmaking." And between April and October you seemed to know not of Iran-Contra. Yet you were one of the three addressees of all of that information coming out of Iran about Ghorbanifar and the overcharging. I think it was Casey and Charlie Allen and yourself.

I take it from listening to the answers you have given to other Senators that you had no idea of the tremendous load, and you put your attention first to reorganization and getting the bureaucracy

sort of straightened out, for several months as you came on board. But otherwise I take it you let Charlie Allen read those messages coming out of there. They're only two or three pages. They came out literally in the dozens from Iran, during that entire period. They didn't come to your attention even though addressed to you?

Mr. GATES. Yes sir, they did come to me. And as I indicated in my written interrogatories I read some of them, I scanned some of them, I ignored a number of them. I didn't read many of them. As Mr. Allen has testified, if you couldn't understand that they were in effect coded, they spoke in codes and if you didn't understand the codes you couldn't understand what was going on and to the limited extent I looked at them at all, it just looked to me like——

Senator HOLLINGS. You didn't understand the code?

Mr. GATES. They were talking to each other in—using false names and various other things, and unless you followed it full time it was very hard to keep track of what was going on.

Senator HOLLINGS. Let me go to another subject, because I'll be very brief. Most of the items of particular interest have been covered. With respect to this difference in cultures, Senator Rudman points out a veritable cancer when he notes not only the jealousy, not only the competition, the differences you might have between the operational and the analyst, but even he used the expression "lie" and those kind of things. I've discerned this conflict over many, many years. How are you going to deal with it, coming on as an analyst, clear this up, to gain the confidence and loyalty and the responsiveness of everybody working together down there? You have got a real job to do with that kind of divergence.

I go out in the field and the field operative is fully aware. He does know the local history, incidentally. You made the comment maybe he didn't, as the analyst does, know the history and the background. Those field operatives in those particular countries know all the history and all the background. He puts in cold facts to you.

And it's just like an analyst dealing with a guy putting the sign FRESH FISH FOR SALE, and the analyst says, well good gosh, you're not going to sell stale fish, so he just put FISH FOR SALE. And analyzing it further he says, well you're not going to give it away, everybody knows it's for sale, so you can knock that off of it. And you can smell it three blocks down the street, you don't need a sign saying FISH. And you end up with no sign and no intelligence. And the fellow in the field says, ye gads, no use to do all of this work on the one hand, and the analyst is going to analyze me out of a job and it is not going to mean anything.

And the customer, for example the policymaker on Iraq, they constantly say don't give us any analysis, just give us the facts. The customers are not using it. You've got a total breakdown from the field coming in, and from the policymaker and its use. And in between you're top heavy with 800 of those people paid at \$100,000 a year. Super grade. You've got eight hundred Senators on your hands. Don't you think you ought to get rid of about 700 of them?

I mean literally, I would hope that we could finally get these parties together just by cutting down the size and effecting a good budget cut and effecting some discipline and perhaps I'll let you answer. But if I had the same job, I'd get in a plane and fly around

to these small places and make sure I knew those officers and they knew me and the value of their hard work. Just start rebuilding systematically over the first six months to a year with the operational end. Because that's a real tough situation. As hard as we work it's not really producing. You can comment any way you wish.

Mr. GATES. I would just say, Senator Hollings, that I agree with you that working at this problem between the DO, the Directorate of Operations, and the Directorate of Intelligence is terribly important. It was an effort that I tried to work at as Deputy Director for Intelligence and Deputy DCI in terms of more interchange between the Directorates. Getting more senior officials from the intelligence side to work on operations and vice versa.

I think that Director Webster has worked at that problem but I think your advice about getting out to the field and getting in touch with these people is important. One of the things I intend to do is something I referred to yesterday and that is somehow figure out a way for these case officers to get information back to Headquarters on what they pick up just by being in the capital and learning the politics and what's going on in the country, and finding a way to get that unvarnished information in front of policymakers.

One of the things that I did when I was Deputy was occasionally run assessments by Chiefs of Stations in the Presidents Daily Brief. Because it had a liveliness to it and, you know, the guy's right there on the scene, and I thought it was a nice touch in an analytical product to say here's the views of our Chief of Station in X Capital and I would hope to do more of that kind of thing.

Senator HOLLINGS. We're really lacking in morale and we've got to rebuild it. We're really going to have to rebuild. Now quickly, because Senator Chafee is here, and I can withhold several other questions until the further session.

With respect to economic intelligence, I note that your two answers given, we ought to look at the intelligence relative to government supported industries and to level up the playing field where they are engaged in espionage or place a mole in certain industries, a sort of counterespionage against them, would be the two instances.

There is an even more important instance that I wish to emphasize with this opportunity with you. And that is that we have moved from the Cold War to the Economic War. The Wall has fallen, communism has fallen and now we're really in a struggle for economic survival and supremacy.

And it's hard to get through Haynes Johnson's book *Sleepwalking Through History*. We're sleepwalking through this particular economic war. We're talking about special relationships and bowing and scraping, how market forces operate, and we need to look at national estimates on basic industries and on critical industries. Now, I know one you wouldn't need I guess, over 60% of the clothing industry is imported and over 84% of the shoes on the floor are imported. They may not be significant to the skill job market in a sense, but they are basic industries. We can't send our troops to war in a Japanese uniform and Gucci shoes.



Otherwise, when you talk about Japan and its contribution to the Gulf War, they said, "Oh, we put in all the memory chips. You couldn't have fired that TOMAHAWK without our memory chips." There ought to be categorical national estimates of critical materials, of industrial trends, and everything else. You've got a frontline duty now in intelligence work because this economic war is for market share, it's for trade, it's for manufacturing, it's for standard of living. And it's hard to wake up this town as to really what's going on out there.

And it comes right up against the political cry of an American plan for the Philippine and for China and for Russia and for Israel and Egypt. And we've got the Corps of Engineers rebuilding Kuwait. And we've got the Americans trying to take care of the Kurds. The American plan for Iraq and every other place but America. And that's being felt very clearly and we're not being equipped with the intelligence. We wait and finally on semiconductors, Senator Danforth picks it up and we finally get a little thing done on semiconductors. We finally get another little critical part and we try to pass ad hoc legislation on it.

What about National Intelligence Estimates on basic industries and critical materials from time to time, so without the espionage part, without the government-involved industry like aircraft, just generally speaking, the economy itself, basic industries and critical materials in order to sustain and continue economically in this country?

Mr. GATES. I think that that is something that we can do. Have done. When I was Deputy Director for Intelligence we did fairly major papers on the aircraft industry, on semiconductors, on the automotive industry. Looking worldwide at the trends that we saw and what the implications were for U.S. trade. I think we can continue to do that kind of effort.

Senator HOLLINGS. Very good. If you include that one we can use that every day up here.

Thank you very much, Mr. Chairman, I'll yield.

Chairman BOREN. Thank you, Senator Hollings.

I certainly agree with what you just said and what the nominee just said. I think it's critically important. We're into economic competition as much or more even than military competition as we get into the next century. We've even had situations that we've studied where there are industries or corporations or businesses in this country with vital technology to the national security, even a very direct relationship to the national security, where we have the fear that they're being taken over by foreign nationals, and that very sensitive technology will be lost therefore. You don't need to have an Intelligence Committee steal it when somebody can just go buy it on the open market by acquiring an American company that may be the only one in the world with a certain kind of technology.

It seems to me we need to utilize our Intelligence Community to alert us to and warn us of those areas that really are critical so that we can, as policymakers, develop some strategy for protecting our interests in this regard. I'm glad to hear your answer. I don't want to take away time from Senator Chafee, but when someone mentions this kind of issue, it's something that has been of such concern to me, and as Senator Hollings said, this war is going to be

over and we're going to have lost it before we even realize it's started if we don't wake up and quit being asleep at the switch.

Senator Chafee, I'll now turn to you for your round of questions.

Senator CHAFEE. Thank you very much Mr. Chairman.

Mr. Gates, I'd like to pursue this line of questioning because I find it somewhat troublesome and I'm just not sure what you're saying here. Is the CIA the agency of the government that should be making an analysis of the aircraft industry to determine how we can become more competitive or whether we're losing out? Is that what that agency's for? Am I mixed up? I thought that was a Commerce Department activity?

I'm very sympathetic to your nomination. But I must say that this thrust of the U.S. intelligence agencies becoming sort of economic spies concerns me. I'd like a little amplification.

Mr. GATES. Senator, I think that one of the great advantages that CIA and the Intelligence Community brings to some of these problems is simply its ability to gather and integrate a great deal of data from all over the world.

One of the assets that we have is that U.S. businessmen and others are willing to talk to us and talk to us fairly candidly about what they see. We pick up some kinds of information. And what these assessments were about that I referred to, were really about the practices of foreign governments in trying to encourage these industries, and the collaboration between government and industry in ways that disadvantage the United States.

For example, in the case of the paper that we did on the aircraft industry, part of it was about how certain foreign governments that are selling aircraft will make foreign policy concessions to governments whose national airlines buy that particular kind of aircraft. That kind of information, it seems to me, is legitimate for the policymaker to know and a legitimate subject for intelligence.

It falls into that first category that I described earlier in response to a question of information that gets at how do you level a playing field from a policy standpoint? This is not an area where I think CIA can become a substitute certainly for the Commerce or anyone else, for that matter.

One of the problems that we've wrestled with for at least a dozen years is how to take some of this information that we gather, that in essence practically falls into our hands, and make it useful to people. And the honest answer to you, sir, is that we can't find a way. We've tried for ten years or more to find a way to get it into the hands of U.S. business and we can't find a way that does not somehow get all tangled up in the law, in advantaging one company over another, and that's why I've concluded that we ought to content ourselves with supporting the government and trying to inform government policy about the practices of foreign governments rather than trying to get into economic espionage or industrial espionage and that sort of thing.

Senator CHAFEE. Well, what bothers me is that all too often I find in governmental agencies that when their normal task expires, then they scurry around seeking a new justification for their continued existence. And I look on the intelligence agencies as primarily involved with the defense of the United States, the military defense of the United States. Now, I know that plenty of Senators



would say that economic power is just as important as military power. And yes that's true. I don't argue with that one bit. But the question is what kind of agencies within our governmental structure should these duties devolve upon? And I have some concern that the CIA should set as one of its goals determining how the United States is doing in the textile industry, or whatever it might be.

I think that's a subject obviously that will be evolving over the years in the future, And I, for one, will be following it closely and I wanted to mention these concerns that I have.

Mr. GATES. I might just mention, Senator Chafee, that I wouldn't want to pretend that this effort is any larger than it is. The examples that I was citing were papers that were done back in 1983, 1984, 1985, in essence while the Cold War was still going strong and they tended to be an outgrowth of the work we were doing on technology transfer.

So it's not a major area of focus but they were papers that were done and that had—that were well received by the policy community.

Senator CHAFEE. Well, I think it's perfectly proper if in the course of events it should be ascertained that country A is embarked on a national scheme to dump some kind of a product on the U.S. in order to wreck our markets, I can see that. But just where you end, and the Commerce Department starts in this area, or the USTR, or whoever it might be, is a matter for some concern.

Mr. Gates I just appeared on a taped television show with a Member of this Committee who stated that you withdrew your nomination in 1987 because of tough questions that were presented to you at that time. That isn't the way I remember your withdrawal at all, but perhaps it would be helpful just for the record because I for one am supportive, as I say of your nomination and should this charge be raised on the Floor, I'd like to have a good answer to it. So could you delve in a few minutes into the withdrawal of your nomination of 1987?

Mr. GATES. There have been several stories written about that, Senator Chafee, and I would be pleased to let you know what the facts are.

After my hearings in February of 1987, several Senators on both sides of the aisle from this Committee talked to me and said that there was considerable sympathy for me in the Committee. But at that point there were just too many uncertainties about what had happened in Iran-Contra and what my own role had been, and that the Committee Members just weren't prepared to go forward given that amount of uncertainty. If I were willing to wait until October, until the Iran-Contra Committee report was completed, that there would likely could well be a positive outcome.

I reflected on that. I will say that I received no pressure from anyone to withdraw, from the White House or from the political community. Nobody called me, the last word that I had at the end of February was that President Reagan was still very supportive.

Nevertheless, it seemed to me that the idea of an Acting Director for CIA for a period of 10 months or so was not good for the President, it was not good for the country, certainly wouldn't be any good for the Agency and certainly wouldn't be any good for me.

And so on the last day of February, I think a Saturday, I called Howard Baker in Tennessee—he was to take over as chief of staff the following Monday—and I told him that I ought to be his first appointment. And we met on Monday morning and I told him how I analyzed the situation and that I thought that it was best for the President and in terms of getting a fresh start, getting a Director on board quickly, if I were to withdraw and I was prepared to remain as Deputy if they wanted me to. Mr. Baker was courteous enough not to show his evident relief under the circumstances, but—and I am not sure but what I beat the system by only a day or two, but by the time I withdrew it was wholly my own decision.

Senator CHAFEE. I think it is wonderful for you that the circle has closed, or the ring has come around once again and that you have this opportunity and I am confident you are going to be confirmed. But I suspect when you made that withdrawal you never thought you would have this opportunity again. And I am very pleased that the President chose to nominate you and that you chose to go forward this time.

Chairman BOREN. Senator Chafee, if I might interject, I would say that at that time I was chairing those hearings and Mr. Gates came to me as the Chairman of the Committee and cited the exact same reasons to me at that time. It was his concern about the Agency being with an Acting Director for that period of time he didn't think that was good for the country. And that that is the reason that he had made this request.

So I would simply state for the record that I was in receipt of his communication and those just stated in the record were exactly the same reasons that he stated to me at the time.

Senator CHAFEE. Mr. Gates, you have stated that as far as going public with the overall budget figure for intelligence activities, that you are somewhat ambivalent—correct me if I am quoting you wrong, if I am not giving a correct report on how you testified—but as I recall, you were not very enthusiastic about it, but nonetheless, you were prepared to take that risk. I have no problem with taking risks as long as there's a commensurate benefit on the other side. And I must say I fail to see what are the benefits for the American people through the disclosure of the overall intelligence activity budget figure.

The logical follow-up, it seems to me, if the figure is disclosed—X dollars, is to ask “What are we getting for our money?” And then, “How does it compare with last year and what are the breakdowns?”

What is the upside to all of this, because I clearly see downsides? I was not supportive of that move in the Committee and I would hope it would be reversed on the Floor of the Senate. The disclosure of the intelligence—I say budget, but I mean overall figure.

Mr. GATES. Senate Chafee, as I indicated in my opening remarks, one of the things that has troubled me is the willingness apparently of people to believe so many of these stories that come out about CIA. The one that sticks in my mind and in my craw is the notion for example that CIA basically caused the S&L crisis or was a principal player in it and so on. And that the Agency is responsible for all manner of terrible things that have happened.

And what I have been trying to think about is what symbolic steps that the agency could take and that the DCI and the President could take that would suggest that the mentality of the cold war has changed at the Agency. That there is an appreciation that there is a new day. And that in steps that would suggest to the American people that there is a greater sense of openness and a greater sense for the people to have trust that the Agency is playing by the rules, playing straight and so on.

Now the first and foremost area is clearly to have a relationship of trust and confidence with the Congress. I think that is the most important thing. But a couple of ideas that occurred to me—one was this idea of declassifying the top line number. There are all kinds of leaks and stories out there and some of them are high and some of them are low and some of them are pretty close to the mark. Running the risk that you will be able to stand firm on that number and not give a lot of other information.

Another idea that I had was in response to a question from Senator Cranston about the possibility of figuring out a way to give historians a little greater access. But looking for ways to convey a sense of change. Now it is essentially a political call in terms of what kinds of steps that are manageable and that protect sources and methods and the intelligence that we need, that can be taken that convey the signal to the American people. And I will be honest with you, I think that the Congress and the President have a lot better idea of what will convey that message to the American people, perhaps than those of use in the intelligence business. I indicated when I responded to the question yesterday that obviously the decision whether or not to do that would be the President's, but in terms of my recommendation to him, it would be premised on my belief that it would send a good signal to the American people of change.

Now if that's a wrong assumption on my part, as one of what I would hope would be several steps, then perhaps it deserves to be revisited. But it is essentially a political call and as I indicated yesterday and as you just read, it is one where I would be prepared to take that risk, assuming that it would have the beneficial effect I described.

Senator CHAFEE. Obviously when this is debated everyone on this Committee will remember exactly what you have said and will quote you to the effect that you are supportive. Being on the other side, I don't find that very helpful. [General laughter.]

But I am still going to vote for you.

Because I hope you will give this some further thought. Because for a risk you expect a benefit. There is no benefit from this. Every single Member of Congress—535—can ascertain that figure if they take the trouble to do so. It goes before six Committees, that budget. This Committee, it's counterpart, Appropriations and its counterpart, and Armed Services. And I'll guarantee you that once we start down that path, the next question will be—how is it being spent? Are those people all driving Cadillacs over there at Langley? And how many people have they got and what are they being paid and what are their duties? And that inevitably will follow. And for what benefit? I have difficulty following your views on that particular matter.

Mr. GATES. I might just say, Senator Chafee, that I think a central consideration would be the confidence that the Members of Congress have who support the notion that they would be able to draw the line at that top line number in terms of public disclosure. And that we wouldn't in fact start down that slippery slope.

Senator CHAFEE. You have more confidence in Congress than I have on that particular matter.

There has been a suggestion in this Committee that the Deputy Directors and General Counsel of the CIA be Presidential appointees. And I see problems with that. Have you given that any thought?

Mr. GATES. I have and I discussed it with Senator Glenn when I called on him earlier, and what I told him at the time was that—and we will probably have a further discussion of it—was that it is hard for me in principle to quarrel with the idea of senior officials of a government agency not being subject to the confirmation process. I must say that there is a certain quality of, if I have to go through it, so can you. But I also expressed to Senator Glenn that I had some reservations and my worry that the confirmation process itself would be politicizing. The question of whether professional CIA officers who are confirmed to be Deputy Directors, for example, would resign at the end of a Presidential Administration as they do in all other agencies. Whether the confirmation process itself would be politicizing in the sense of having to go through the clearance process at the White House and then the political process up here. So we debated that back and forth and I told Senator Glenn that I would try and work with him and see if we could overcome these reservations. But that is what I told him.

Senator CHAFEE. Well, I think if one of the purposes of our analytical efforts is to make sure that objectivity isn't comprised in any way, I think if you are going to have people in the lower echelons coming up through, conscious that they are going to end up being political appointees to get jobs, that there is a real danger that they are going to try to trim their sails to the views of those that they'll report to in the White House.

So I have trouble appreciating what the benefits are under this, and again I see a lot of downsides under this particular measure, S. 1003.

Yesterday Senator Warner touched on morale at the CIA and I think you gave a very, very good answer in which you said it is—first you indicated that you hadn't been there physically except once in the past couple of years, and that was a couple of years ago; and, secondly you indicated that one has difficulty ascertaining what morale is. But what your answer was, and I felt it was a very good one, is that it is extremely important that employees of the Intelligence Community—and after all your duties are going to encompass more than just the CIA—it is important that members of the Intelligence Community feel valued in their work, by the Administration, by the President, by Members of Congress, and thus the public. And I believe heartily in what you said. I also believe that there is a relationship that you pointed out of trust and—you used two words, what were they?

Mr. GATES. Trust and confidence.

Senator CHAFEE. Trust and confidence that goes between the Committee. And I think that goes two ways. I think you have a right to come to this Committee and ask for things to help you accomplish your job. I don't believe this Committee should just solely be a watchdog that is sitting around making sure that you don't get off base somewhere.

Now this is—I have given this little lecture to other members who have come before us for confirmation as head of the CIA, of the Intelligence Community, and I recall one particular instance where I got a response to my question, "What do you want? What can we do to help you?" The then-head of the Agency was Admiral Turner, and he pointed out that our station chief, who was Dick Welch, was killed in Athens in about 1978, at the same time there was a publication by a man named Philip Agee of a magazine called Covert Action Bulletin—perhaps you recall that?

Mr. GATES. Yes, sir.

Senator CHAFEE. Agee would very skillfully go through publications—unclassified publications—and come out and identify who were the CIA agent station chiefs in all the different capitals of the world. And that was very, very unfortunate and may have led to the death of Dick Welch. We are not sure, but perhaps. His name was published in that Covert Action Bulletin.

So as a result of that, Admiral Turner asked if we couldn't do something, and as a result we came up and perhaps you remember, we came up with the Agent Identities Protection legislation, which I was very pleased to be active in getting passed.

And it was a struggle, but we got it passed and that put an end to the Covert Action Bulletin and Philip Agee. I don't believe anything similar to that is around now, is it? To the best of my knowledge?

Mr. GATES. No, sir.

Senator CHAFEE. But the point I am making is that I think you should come to us and ask for help. And certainly as one Member, and I can't speak for the Chairman or the others, but I suspect they feel the same, we want to do what we can to help you do your job and do it better.

And remember another thing that the truth and—in those days you could ask for information requiring an enormous search through the documents.

Chairman BOREN. Freedom of Information Act.

Senator CHAFEE. Freedom of Information Act. I think you had something like ten people over there delving through material, following it up, and then having to cross out classified lines and as a result legislation was passed—I had nothing to do with this, these were others were active in that area—and it was considerably helpful to your agency.

So I hope you will remember that and bear those suggestions in mind in the future.

Mr. GATES. Thank you Senator.

Senator CHAFEE. I don't know how much time I have got Mr. Chairman.

Chairman BOREN. Seven minutes.

Senator CHAFEE. Seven minutes? If you could hold one minute.  
[Pause.]

Senator CHAFEE. Again going to the future, which I think is the most important part of these hearings if I may say so, Mr. Gates, what do we do about General Schwarzkopf's comments. "There is a serious need to develop a standardized methodology within the Intelligence Community for making estimates and predictive analysis. I think it is fair to say that although the intelligence facts we had were helpful, that the analysis we received was unhelpful. Analysis was caveated, disagreed with, footnoted and watered down." He specified, quote, "We didn't have problems with the facts sensors produced, but the way the information was later handled." What can be done to sharpen analysis—and this overlaps I recognize with some questions you have answered before, but nothing was more important during that particular era, those particular months, than getting our senior military commanders information they really could use. Do you have any suggestions on how we might be more helpful?

Mr. GATES. I think there are some very important lessons that came out of the Gulf War. And one of them really was the war was a historical first in the respect that CIA has basically been considered a fundamentally peacetime organization. And there was a clear separation between the roles that CIA and some other aspects of the—elements of the Intelligence Community would play in peacetime, as opposed to war. But war, throughout most of that period, was defined as something like global thermonuclear war. So there were all kinds of agreements and treaties drawn up between the Defense Department and the Director of Central Intelligence in terms of at what point control of the reconnaissance vehicles would pass from the DCI to the Secretary of Defense and so on. And I think what the Gulf War showed, unlike Vietnam, which was a much more gradual process and just different, was that in this intense, very large conventional war, we had something in between in terms of the global environment. In between peace time and full scale war.

So we really didn't have, I think, very good procedures for particularly CIA support for military operations of that scale. I think that is one of the areas that we need to look at. I know this lies behind my reference in my opening statement yesterday that we need to take a closer look at the relationship between the national and tactical systems, reconnaissance systems. We discovered some real problems there during the course of the war. We discovered some problems in terms of the transmission of our information to local commanders, to the commanders on the ground.

In terms of wanting our facts, I know that General Schwarzkopf has in mind much clearer and pointed assessments of the intentions of his enemy. But I always get a little concerned when I hear that because I've heard it so often in my career from policymakers. Don't give us your analysis, just give us your facts. And that is usually because they don't want to hear what the analysis is—and I realize that isn't the case here with General Schwarzkopf. But one of the things, that if we are to encourage analysts to look at alternative points of view, if we are to encourage them to consider the unorthodox or the unconventional, we have to have a way of educating policymakers about how to use intelligence as well as intelligence analysts, how to write it better.



And one of the things we have to educate policymakers to is the value to them of a piece of paper that helps them think through the problem without telling them what the answer is when nobody knows what the answer is. And too often policymakers will pass that off as just sort of academic head scratching and musings of a bunch of philosophers out at Langley or something like that. I believe that the policymaker is always owed the best estimate. Whatever the number of options or whatever the possibilities, the policymaker deserves to be told this is my best guess as to what is going to happen.

But I think he also needs to know what the other possibilities are, and he needs to be told what the level of confidence is in that judgment. Sometimes your best estimate you're 90% sure, and sometimes you're 33% sure when you have got four possibilities. And I think there needs to be a greater forthrightness with the policymaker in terms of the level of confidence in these judgments.

It gets to what General Schwarzkopf is talking about. And that is how do you convey a judgment to the policymaker that he can understand as an array of possibilities and a best estimate without him thinking that it looks like mush. And that is something that the analysts have to work on. I think that the policymaker also needs to have a better understanding that sometimes there isn't an answer to his question. And that we are dealing with what I referred to earlier as mysteries rather than secrets.

Senator CHAFEE. Now my final question is as follows, Mr. Gates. In an interview you once described Bill Casey, if accurately quoted, as the last of the "Great Buccaneers." And in your testimony before us you've indicated that you're going to work closely with Congress and we're not going to have these events that have allegedly transpired in which the CIA has been involved.

But do you think any of us should have cause for concern that you're going to be so cautious and so busy with the paper trail indicating what you did at such and such a time, because you've been burnt by Congress more than once, you've been through these hearings, you've seen what the Iran-Contra investigation was where they interviewed five hundred witnesses and went through three hundred thousand documents, you've been examined by the Special Prosecutor. You know that he's investigating although he specifically said that you're not a target. There was the Tower Commission. This Committee spent three months, the staff, looking at everything you've done. I don't think there's anybody up for confirmation for any position that's been through a more careful scrutiny than you have. And inevitably, you can only come out of all of this with a feeling that in the future, I'm just going to make sure I document everything so that they know I'm doing things right. You're going to be busy reporting to this Committee as you've indicated.

Now that's all splendid, but is there any fear that as a result, there's just going to be such a deluge of paper over in your office, so much cross-checking that nothing gets done. Admiral Rickover used to say there are more checkers than there are doers around this place. And how do you answer somebody who might raise that concern?

Mr. GATES. I was amused to read, or have somebody call to my attention, a newspaper column the other day in which the author of the piece referred to me as a swashbuckler. Frankly, I think that's not a term that comes immediately to mind to most people who know me. [General laughter.]

Senator CHAFEE. I wasn't suggesting you were a swashbuckler. As a matter of fact I was indicating concern that you might not be.

Mr. GATES. Precisely, Senator Chafee. And at the same time there are concerns that I would be too cautious.

I think that the United States Central Intelligence Agency can undertake risky operations, and should undertake risky operations—you can't operate an intelligence service in a risk-free environment—but I think you can operate an intelligence service in an environment in which the rules are clear, the guidelines are clear, the reporting requirements are clear, and people can act with confidence and take those risks. And frankly, I think that again it gets to the question of triumphs that remain secret.

I think that some of the things that CIA and the clandestine service have done over the last two or three years have been absolutely extraordinary. And some of them have involved extraordinary personal risk for the people involved. Some risk for the Agency. But they were clearly within the rules, clearly the product of a thought-through process where everybody knew what the risks were, were able to assess what those risks were, and then decided to go forward.

I guess what I'm trying to say is that in contrast to some things that have been written over the last half dozen years by a variety of people, I do not see the oversight process, a process of reporting to the President's Intelligence Oversight Board, or the other mechanisms of accountability, as somehow limiting the effectiveness or capability of U.S. intelligence. I don't think that there is anything that we should be doing that we can't do under those terms.

Now I don't think that one needs to be paralyzed in terms of all the investigations and things that have gone on before and just get completely wrapped around the axle, so fearful of taking any step for fear of being criticized. I think as long as we're playing by the rules we don't need to worry about being criticized. We may well be criticized. We will be criticized. But I think we can stand that as long as we're playing by the rules and I don't see any contradiction there.

Senator CHAFEE. Well, in conclusion let me just say this. I just hope that you will come up with some bold ideas and some bold ventures. The easiest thing in the world, and the safest thing for everybody involved in the government, as you well know, is to say no. Don't stick your neck out, lie low and you're certainly not going to get into any trouble. And that applies to this Committee. Covert actions come before the Committee, the easiest thing is to say no and then you're safe. So I hope you will, despite this searing experience that you've been through, I hope you will be a bold Director of the Agency and the Intelligence Community. And I'm confident that you will be.

Thank you, Mr. Chairman.

Chairman BOREN. Thank you very much, Senator Chafee.



We'll now go to Senator D'Amato for any questions that he might have. Senator D'Amato.

Senator D'AMATO. Thank you very much, Mr. Chairman. Mr. Gates, I'm wondering if we couldn't do this in two parts. Maybe review a part of the past and then take a look at the future. And part of that past involves the attempted Papal assassination back in 1981.

There have been some who have said that you biased intelligence concerning the 1981 assassination of Pope John Paul II. While the substance of this issue is classified and we'll deal with it in closed session on Friday, I want to ask you whether, in your opinion, the CIA and the U.S. intelligence as a whole, did all that it could to find out what was behind the attempt on Pope John Paul II's life.

Mr. GATES. Senator, I think that as you suggest we can go into some of the details in closed session, but I think that a review of all the analysis that had been done on the attempted assassination of the Pope that I directed in May of 1985 illustrated that particularly in the first several years after the attempted assassination, CIA moved very awkwardly and slowly in trying to deal with the problem.

There were some mitigating circumstances. I think there was worry about getting cross threaded with an ally that was involved in a criminal prosecution. There was concern about spoiling the prosecution case itself. But I think in general that the Agency moved with extreme caution in trying to deal with the problem.

And frankly, from the analytical side, I think it is fair to say that at least at the outset, that it was due to a mindset that accepted the idea that a lone gunman was responsible.

Senator D'AMATO. Well, as you know in 1983 I visited Italy and I met with a number of intelligence people in military intelligence, and I met with Ilario Martella, the investigating magistrate. He was quite concerned. He had the impression that there were those in the intelligence community who were trying to discredit and undermine the investigation. In fact there were people assigned to the U.S. embassy in Rome who were telling people in the media that the CIA didn't think that the Soviets and the Bulgarians were involved and that really this was a lone, crazy gunman, Agca. Similar allegations were being published with a Washington dateline. It's refreshing to hear you answer my question as you did because it was a very frustrating time, I think, for many of us, when there was this at least awkward treatment of the situation.

Let me ask you, would you be willing to offer—do you believe the KGB was involved in that attempted assassination?

Mr. GATES. Senator, six weeks ago I probably would have ventured a guess on that.

Senator D'AMATO. OK.

Mr. GATES. Since for the first time in my professional career there is some chance we may actually have access to the KGB files, I think I'll hold my fire.

Senator D'AMATO. Fine. I appreciate the candor of your initial response to my question, I want you to know that. Let me ask you, you have been credited with being one of the most successful Soviet analysts at the CIA. Why do you think that the CIA and the U.S. Intelligence Community as a whole never gave policymakers a

clear cut warning of the collapse of the Soviet system? Or communism as such?

Mr. GATES. Senator, I think that we'll probably get into a fair amount of detail on this later. I think that there are clearly some shortcomings in the work that the Agency did. But I also think that the Agency has a very creditable record of documenting from the early 1970's and even before, the steady decline of the Soviet economy. They did a tremendous amount of work on various sectors of the economy and how poorly they were doing and so on.

I think what they did not predict was that a reformer would come into power that would pursue a set of reforms that were so flawed that it would take a severely declining economy and throw it into catastrophic freefall.

And that is pretty much what happened in the Soviet Union in 1987 and 1988, as the old system was progressively dismantled with nothing new being put in its place. And furthermore a straddling in terms of which kinds of economic system to move to. So you ended up with the worst of both worlds. A policy that seemed to look toward a market economy and actions and an administrative framework that was in fact still pursuing a command economy. So I think that there was a general appreciation documented in the Joint Economic Committee repeatedly over the years, of a declining economy, but I think that the failure to predict the rapid collapse of the system over the last two or three years is because I think people did not anticipate that the reforms would proceed in the way that they had.

Senator D'AMATO. I said I would touch on something in the future. We haven't yet. But let me ask you to project in the future given what we do know and the information we do have as it relates to Cuba. Will Castro go peacefully or do you foresee a Rumanian resolution to the Cuban situation? What do you see in that crystal ball?

Mr. GATES. I think that one of the major considerations right now is the cutting off of Soviet subsidies to Cuba. We calculated, I think, in 1989 or 1988 that the Soviet Union either directly or through indirect subsidies was giving something on the order of \$5 billion a year in military and economic assistance to Cuba. The Soviets have made clear that that is going to stop. The Cuban economy is already on the ropes, and I think it is hard to predict the impact. But this guy is the—is one of the last remaining Communists. The whole place is—the whole system down there is kind of a museum piece, it's such an anachronism. It seems to me that his days are numbered. Whether it's, you know, this year of next, it's clear that the system down there can't survive indefinitely.

Senator D'AMATO. What do you project as it relates to our relationships in dealing with some of the countries in Central, South America, that are heavily dependent upon drugs or where the drug traffickers have played a key role as it relates to policy or lack of policy? What do you foresee there and how do we deal with that?

Mr. GATES. I think the biggest problem—

Senator D'AMATO. I specifically have avoided naming any one country.

Mr. GATES. Yes, sir.

The dilemma that we face is that there are governments in some of those countries who are acting to try and deal with the problem, who are trying to eradicate crops or take steps to reduce the amount of narcotics flowing through that country or being produced in those countries, and they are taking steps that frankly, a year or two ago, we wouldn't have anticipated. That they have gone further than we expected. And yet at the same time, the information suggests the problem has gotten worse in some of those countries. And so the question is, how do you encourage the governments to do more and do so in a way that allowed them politically to be able to survive. And it is a tough policy call in terms of whether to provide some of these guys some economic assistance because they have done what we asked them to do, even if the problem has gotten worse and the degree to which they have the ability or the freedom to be able to act.

I think—and I am really speaking from my current position right now—what we have tried to do is encourage these people to move more aggressively. I think that when the time comes that we conclude that the governments are corrupt, that they are not being honest with themselves, that that's the time when we have to say we just can't help you any longer. But that's a tough call, and it has some downside implications as well for the narcotics control problem, because then in essence you remove any incentive for them to take courageous steps.

Senator D'AMATO. Last follow-up to that. Do you believe we have adequately funded our counternarcotics foreign intelligence activities?

Mr. GATES. Well, as I suggest in my answer to Senator DeConcini, I think we were not as quick in coming to deal effectively with the intelligence aspects of the narcotics problem as we should have been. There have been significant increases in funding in the last several years and I think there's a substantial increase between 1991 and 1992. It is something and I would take a look at when I got out there. But my impression is that there have been substantial increases in resources fairly steadily over the last few years.

Senator D'AMATO. Mr. Gates, let me simply say that I am very pleased by the responses I have heard you give to my colleagues. I certainly want to commend you for what I think your position has been in making the analysis as it relates to the Papal assassination. I look forward to meeting with you Friday in closed session. And I look forward to working with you in the coming years on the issues of mutual concern.

Mr. GATES. Thank you, sir.

Chairman BOREN. Thank you, Senator D'Amato.

Senator Glenn is not able to be with us this afternoon because of a conflict in schedules. So we have completed now the opening questions of Members of the Committee with the exception of Senator Glenn who will question the nominee on the nominee's final return before the Committee.

Let me just outline briefly how I expect us to proceed now. On Thursday we will begin our session at 9:30, and I want Members to note that as a change of time. We will begin a little earlier at 9:30. We have six or seven outside witnesses that say, a very, very full day. Some extremely important witnesses are to come before the

Committee. We will begin that morning with the testimony of Mr. Fiers. It is likely that the Senate may well be in session late on Thursday evening anyway so it would be my intention to work throughout the day and into the evening hours on Thursday. So I would like for Members to please note that on their schedules that it is likely for us to work in the evening hours on Thursday so that we can complete the outside public witnesses. If we have not completed them, we will continue with them on Friday morning.

Otherwise, on Friday, we will have a closed session of the Committee to take up classified information and particularly to hear testimony from witnesses on the question of the objectivity of intelligence estimates. Some subjects we have touched on here in the public session but obviously we have not been able to pursue them as thoroughly as we would like because they do involve classified information.

We will resume then on Tuesday, at which time we will have another session on again the classified subject of intelligence sharing. I am not sure exactly how long, but it would not likely last as long as an entire day.

When we have completed all of that testimony and heard all of that evidence and considered all of the information given to us, it would then be my thought that we would ask the nominee to appear again. That could be as early as Tuesday afternoon. If we want to question the nominee specifically about a classified matter, that obviously would have to be in closed session.

It would then be my intention to come back into open session either on Tuesday afternoon or Wednesday morning, which I understand is the birthday of the nominee, is that correct?

Mr. GATES. Yes.

Chairman BOREN. Well, we know that you would be very disappointed if you didn't get to spend at least part of your birthday with some Members of this Committee. And we would certainly want to be able to send you our best wishes on that occasion.

There have been some other Members of the Committee that have indicated to me they have additional questions. And especially some of the Members of Committee have not yet had a chance to ask their questions related to the future of intelligence. Because of necessity we have had to go back over the past record quite a lot in the course of this two days of proceedings.

At that time we would then have the nominee as the concluding witness of the confirmation process. The Committee would begin its deliberations in an expeditious fashion on the nomination within a day or so of the completion of our hearings. And of course, the vote of this Committee will be held in public session and Members will have a chance to make statements in regard to their final decisions about this nomination.

This is the process that I would hope we would go through. I want to thank the nominee and the Members of the Committee and the staff of the Committee.

Senator WARNER. You've done very well.

Chairman BOREN. Well, thank you very much, Senator Warner. As I said, we've been thorough. I appreciate the help of all the Members, especially the Vice Chairman. I hope that the American people have felt that this was a very useful process. It is unique in

the world, as the nominee has said, to have this kind of process in the open. To display for the world the workings of the oversight process and how this is a government where very sensitive policy is made still within the bounds of the democratic process and with full oversight. It has been very interesting to hear the comments of the nominee about his discussions with Mr. Kyruchkov of the KGB. I had similar conversations with him and also with members of the Supreme Soviet who were struggling to set up their own oversight process, as well as those in Eastern Europe and elsewhere. Many are looking at our process and coming here to study it.

So I hope the American people have had, from this process, a better insight into how the oversight process works, and also some insight to the contribution the men and women who work in our Intelligence Community are making to the national security effort of this country. While of necessity we probed some things that happened that shouldn't have happened. I think the American people from watching these proceedings will also have a better understanding of the real contribution, often at the risk of their lives, that people are making in the Intelligence Community to the good of this country.

So I hope, Mr. Gates, that, while you have been on the receiving end of this, that you will feel that this process has also been beneficial to the American people as well. So we appreciate your cooperation and the cooperation of all Members.

We will stand in recess until 9:30 in the morning on Thursday. [Thereupon, at 5:26 o'clock p.m., the Committee stood in recess.]



## NOMINATION OF ROBERT M. GATES TO BE DIRECTOR OF CENTRAL INTELLIGENCE

THURSDAY, SEPTEMBER 19, 1991

U.S. SENATE,  
SELECT COMMITTEE ON INTELLIGENCE,  
*Washington, DC.*

The Select Committee met, pursuant to notice, at 9:37 a.m., in room SH-216, Hart Senate Office Building, Hon. David L. Boren, Chairman of the Committee, presiding.

Present: Senators Boren, Nunn, Hollings, Bradley, Cranston, DeConcini, Metzenbaum, Murkowski, Warner, Danforth, Rudman, Gorton, Chafee, and Cohen.

Also present: George Tenet, Staff Director; John Moseman, Minority Staff Director; Britt Snider, Chief Counsel; and Kathleen McGhee, Chief Clerk.

Chairman BOREN. The Committee will come to order.

This morning let me say for the benefit of Members, that we will do our questioning under the rule of attendance so that those who are present now as the hearing begins will ask their questions first in rotation. We will have approximately ten minute rounds for the witness when he completes his statement and for the other witnesses today followed by additional rounds as long as there are members that have questions that they would like to ask.

I might also say that we have a number of witnesses today. We have tried to arrange the order of testimony of our witnesses mainly to accommodate the travel schedule of several who have to leave during the day or at least by the end of the day.

It is my hope that we can complete the witnesses scheduled for today. We have six very important witnesses and this means that I think it is very likely that we will go into the evening hour in terms of taking testimony today.

This morning as we resume our hearings on the nomination of Robert M. Gates to be Director of Central Intelligence, we will receive testimony from six witnesses who have served as senior officials in the CIA, including the current Acting Director, Mr. Richard Kerr. We will begin with Mr. Alan Fiers, the former Chief of the CIA's Central American Task Force. The next witness will be Mr. John McMahon, who preceded Mr. Gates as Deputy DCI from 1982 until early 1986. He will be followed by a retired CIA senior operations officer, Mr. Tom Polgar, who was on the staff of the Senate Iran-Contra Committee. We will also hear from Admiral Bobby Inman, who was Deputy DCI from 1981 to 1982 and is currently Chairman of the President's Foreign Intelligence Advisory



Board. The next witness will be Mr. Charles Allen, a senior CIA analyst who was National Intelligence Officer for Counterterrorism during the Iran-Contra period. And the final witness will be Acting Director Richard Kerr.

I want to emphasize to Members that our inquiries today have a single purpose, and that is to assess the fitness of the nominee whose nomination is before us. If we were to get into questions concerning the roles of our witnesses themselves in the Iran-Contra affair, or to ask them to speculate about the future of U.S. intelligence, I would have to say to our colleagues that we would never have any hope of making it through our schedule, not only today, but probably for several weeks. I point out, for example, that the Iran-Contra Committee's deposition of just one of our witnesses today, Mr. Charles Allen, went on for more than one thousand pages. So we simply cannot devote the kind of time to this testimony to go over the entire Iran-Contra affair. What we want to learn today is what our witnesses have to say about Mr. Gates' involvement in that affair and any knowledge that they might have which would relate to this nominee.

I hope Members will limit their inquiries and focus their inquiries accordingly.

Our first witness is Mr. Alan D. Fiers who, as I mentioned, served as Chief of the CIA's Central American Task Force from October 1984 until March of 1988. Mr. Fiers entered a plea of guilty on July 9, 1991, to two misdemeanor charges of withholding information from Congress about the diversion of Iranian arms sales proceeds to the Nicaraguan Contras and about other U.S. efforts to assist the Contras during a ban on such aid.

The first charge dealt with his testimony about the diversion at a hearing before this Committee on November 25, 1986, the same day that Attorney General Meese announced the discovery of evidence of the diversion in the National Security Council files. The second charge involved the testimony about the role of Oliver North, Felix Rodriguez, and others in providing military assistance to the Contras at a hearing before the House Intelligence Committee on October 14, 1986. This took place shortly after the downing of the *Hansen* fus. flight.

The admissions by Mr. Fiers were shocking and tragic. He was an outstanding professional intelligence officer who had an excellent relationship with this Committee. I think I can safely say on behalf of most of the members of this Committee, especially those on the Committee at the time that Mr. Fiers was at the Agency that we had great professional regard for him, and in spite of very serious lapses that occurred, I know that Mr. Fiers knows that his many efforts on behalf of our country and his outstanding performance in other areas are understood and appreciated by the Members of this Committee.

While the task force he headed clearly was very sensitive from a political standpoint, I do not think that any of us realized at the time the extraordinary political pressures that were brought to bear on him as Chief of the Central American Task Force. His testimony to the Iran-Contra Committees, which many of us will remember, regarding the situation in which he found himself stands out in my mind as reflecting his great personal anguish. It was ob-



vicious to all of us as we heard that testimony that this was a situation about which he was reflecting very deeply.

Mr. Fiers conceded that his testimony at the Hasenfus hearings in October 1986 had been, and I quote, "evasive." And he attributed that evasion to what he called his, quote, "untenable position as a member of the Administration team." Mr. Fiers went so far as to say the Administration was, and I again quote, "hanging us out", unquote. He was very emotional when he told the Iran-Contra Committee, and I quote again, "I found myself in one hell of a position indeed. And really it continued almost until today," he said. That was in August 1987 when Mr. Fiers testified near the end of the Iran-Contra hearings.

It was very sad for us to learn this past July that Mr. Fiers had continued to withhold information throughout those hearings.

The issue for us today, however, is not what Mr. Fiers knew or what Mr. Fiers did, but whether he can shed any light on when Robert Gates may have learned of the diversion and what Mr. Gates knew about the roles of Oliver North and others in the private Contra resupply operation. CIA records indicate that after Mr. Gates became Deputy DCI in April 1986, he met with Mr. Fiers on at least nine occasions before November 25, 1986, when the diversion was disclosed publicly. Those records indicate that three of these meetings were one-on-one, and they took place on August 19, 1986, September 29, 1986, and November 4, 1986. At least two and possibly all three of those one-on-one meetings occurred after the point when, according to the government's statement, Mr. Fiers had learned of the diversion. In addition, Mr. Gates met with Mr. Fiers, Clair George, Director Casey, and a CIA Congressional Affairs Officer the evening before Mr. Fiers and Mr. George first testified about the Hasenfus flight on October 10, 1986, and allegedly withheld information in order to protect the White House.

The record of these meetings between Mr. Gates and Mr. Fiers makes it important that the Committee obtain the testimony of Mr. Fiers. The Independent Counsel has been consulted about this matter and the Independent Counsel has not objected to the granting of immunity to Mr. Fiers for the purpose of these hearings. Mr. Fiers is accompanied by Counsel, and I would like to ask Counsel to introduce himself.

Mr. ARKIN. Mr. Chairman, I am Stanly Arkin of Chadbourne and Parke and we represent Mr. Fiers.

Chairman BOREN. Thank you very much.

We welcome all of you to the Committee. And Mr. Fiers if you are ready, I would ask that you please stand in be sworn as a witness.

Do you, Alan D. Fiers, Jr., solemnly swear that the testimony you are about to give is the truth, the whole truth, and nothing but the truth, so help you God?

Mr. FIERS. I do.

Chairman BOREN. You may be seated.

I will ask now that our photographers might clear the well.

Mr. Fiers, it is the intent of the Committee to pursue with you, as I have indicated, questions concerning the role and involvement of Mr. Robert M. Gates in the so-called Iran-Contra affair.

Mr. ARKIN. Mr. Chairman, with all due respect, I have advised Mr. Fiers to decline to testify without an appropriate grant of immunity.

Chairman BOREN. Mr. Arkin, in light of your statement, I am hereby communicating to you and to your client an order issued to the Senate Select Committee on Intelligence on August 2, 1991, by the United States District Court for the District of Columbia. The order provides, in substance, that your client, Mr. Fiers, may not refuse to provide evidence on the basis of his privilege under the Fifth Amendment. It further provides that evidence obtained from your client under the order may not be used against him in any criminal proceedings.

A copy of the immunity order has been placed at the witness table. Can counsel confirm that he has a copy of that order?

Mr. ARKIN. Senator, I have a copy.

Chairman BOREN. Pursuant to that order then, I direct your client to answer the questions of the Committee.

Mr. Fiers, I understand that you have some opening comments that you would like to make and you may proceed with those at this time.

#### TESTIMONY OF ALAN D. FIERS, JR., FORMER CHIEF, CENTRAL AMERICA TASK FORCE, CENTRAL INTELLIGENCE AGENCY

Mr. FIERS. Thank you very much, Mr. Chairman and Members of the Committee.

I'd first like to tell you how much I appreciate the kind words that you said about me. They mean a great deal to me.

For five years I have waited for this opportunity to speak publicly and unencumbered about Iran-Contra. And I have rehearsed this statement a thousand times in my mind in a thousand different places. Each time it has a different tone.

Sometimes accusative, apologetic, aggressive and dispassionate.

Senator METZENBAUM. Can you bring the mike a little closer, please? Thank you sir.

Mr. FIERS. Today, I will make a maximum effort to be dispassionate and sometimes that is difficult for me to do as I think some of you know.

But always the theme is the same. The decision points and judgment factors that seem so clear cut today appeared far different during the height of the storm that, Mr. Chairman, that you made reference to.

To reiterate what has been noted several times in these hearings, for forty-three years, from 1947 to the fall of the Berlin Wall in 1990, seven Administrations pursued a foreign policy, the goal of which was to protect and preserve our democracy against Communist expansionism.

This policy, born in an atmosphere of bipartisan consensus, has been dramatically successful, far beyond what any of us dared to dream.

Today, in 1991, it is easy to forget the political landscape of a decade ago. In the late 1970's and early 1980's, we were reeling from a series of defeats, failures, setbacks. The Bay of Pigs, Vietnam, the Soviet invasion of Afghanistan, events in Iran, the as-

cendancy of Soviet-Cuban backed Communist governments in Ethiopia, Angola, Nicaragua, the near collapse in El Salvador. In the face of these setbacks, by the late 1970's, the consensus upon which our post war foreign policy had been based had severely eroded. Polarization had set in.

There were those who were ready to accept the concept of moral equivalency. The concept which held that the moralities of Soviet Communism and our democracy are essentially the same.

Others were ready to acquiesce to or accept the Brezhnev Doctrine which held that the takeover of a country by Communism is irreversible, forever.

The events that we will be discussing today took place in this atmosphere of polarization, distrust and self-doubt. Our ability and our will to maintain the course plotted by those great leaders of the late 1940's was in doubt. The outcome of the struggle was in doubt and the consensus was gone. It has given way to a bare knuckles game of politics. A no holds barred game where no quarter was given on either side. I know this to be a fact. I lived through it.

Much of the story as it relates to Central America is well-known as a result of the Iran-Contra investigations. Other parts were contained in a September 15th New York Times article. It was the totality of this story to which I was referring in my 1987 testimony before the Iran-Contra Committee when I likened myself to being caught in a giant nutcracker. The Administration on one side and the Legislative branch on the other.

I do not seek today or at any time to avoid responsibilities for action I took or didn't take. Nor do I seek to shift the blame. I accept full responsibility for what I did and did not do. All I ask is that both sides of the story be treated equally and fairly.

Before responding to your questions, there are three specific points I would like to make.

First concerns me and the CIA. Media reporting surrounding my plea of guilty to two misdemeanor charges of withholding information from Congress have repeatedly made reference to my having acknowledged CIA involvement in illegal aid to the Contras. This is not correct.

I acknowledged that I and several others had knowledge of certain events. I also pointed out that sincere and strenuous efforts were made to avoid involvement in these activities.

I trust these hearings will serve to correct the record on this point once and for all.

Let me add another thought. The allegations that CIA or otherwise turned a blind eye to or otherwise supported drug smuggling are to the full extent of my knowledge absolutely false and outrageous.

Second, lost in the publicity surrounding the Iran-Contra investigation and the legal proceedings, is the fact that the Nicaraguan policy including the support to the Contras was fully successful. There is now an elected democratic government in Nicaragua.

And, finally, I sincerely hope that the CIA bashing will stop. My wife, my children, and I are proud to have served with some of the finest men and women this country has produced—men and women of strong character, unabiding patriotism, dedication, and

integrity unmatched anywhere. Men and women who consistently and unfailingly have been at the forefront of the struggle, hot and cold, some who have given their lives.

The CIA bashing does them and their families a grave and unacceptable injustice.

Thank you for this opportunity to speak. I will now answer your questions.

Chairman BOREN. Thank you very much, Mr. Fiers. And, as you know, this Committee has always sought to be constructive in exercising its oversight responsibilities. I agree with you that it serves no purpose to engage in criticism of the CIA simply for the sake of criticism. As I am sure you have seen during the opening two days of the hearings, there have been many times in which we had the opportunity to pause to discuss the very real contribution to our country that the men and women at the CIA have made over the years.

I know you also understand that this Committee has a very serious responsibility to obtain any information which can help us in making the determination which we must make of the fitness of Robert Gates, the President's nominee to serve as Director of Central Intelligence. That's a responsibility that we take very seriously, all the Members of this Committee. And so I ask you several questions with that in mind.

The Government's statement of facts in your plea agreement, which you consented to, states that during the early Spring of 1986, Lieutenant Colonel North told you that Israel was selling weapons to Iran and, quote, "kicking dollars into the Contra's pot," unquote. Did you ever tell Robert Gates of North's revelation to you about the diversion?

Mr. FIERS. I did not.

Chairman BOREN. Do you have any reason to believe that anyone else told Robert Gates of North's revelation to you?

Mr. FIERS. No. I think that is highly unlikely. At the time that I place that event, Bob Gates was still the DDI. And I have no reason to suspect or believe that anyone would have shared that information with him. Indeed not many knew it.

Chairman BOREN. Your plea bargain agreement with the Government also states by late summer of 1986, Lieutenant Colonel North told you that the United States was selling arms to Iran and using the proceeds from the sales to aid the Contras. According to the statement, you reported this information to your superior, the Chief of the Latin American Division, who told you to report the matter immediately to Mr. Clair George, the Director of Operations. When you told Mr. George, according to the statement, he replied, quote, "You are now one of a handful of people who know about this," unquote. Is that an accurate summary of the situation?

Mr. FIERS. Yes it is.

Chairman BOREN. When you told Clair George about the diversion, what did you understand by his comment that, quote, "you are now one of a handful of people who knew about the diversion."

Mr. FIERS. As I recall the context of the conversation, I interpreted that remark to go more towards the sale of weapons to Iran and that side of the covert action policy or program than I did the diversion.

I think that he was making reference to the Iranian operation and not to the diversion.

Chairman BOREN. Did he say who was included in this small group?

Mr. FIERS. He did not. It was a very short conversation. The essence of it is what you just repeated and he did not make any further elaboration on who that small group of people were. Within the context the comments were made, I understood that it was information I was to file and not to make reference to.

Chairman BOREN. Did you speculate or do you have any speculation now as to who that might have included?

Mr. FIERS. I did not have any speculation or have any serious thought at the time as to whom that might have included. Now, as a result of the Iran-Contra investigations, which you might guess I followed with some interest, I can put together a universe of people that I think that might have included. But at that point in time, I didn't give that matter extensive thought and I really didn't have that universe defined.

Chairman BOREN. Well, let me go back specifically to Mr. Gates. Now we are talking about this in late summer conversation with Colonel North and your subsequent conversation with Clair George.

Did you report North's information or your conversation with Clair George about the diversion to Mr. Gates?

Mr. FIERS. I did not. I reported that information to two people and to no one else in the Agency. And so far as I know, until I discussed this matter with the Independent Counsel, there were only five people that knew that. And I think that to be accurate.

Chairman BOREN. Could you name those five people again?

Mr. FIERS. In the case of the first incidence which took place prior to May, it is the Chief of the Latin American Division whose name has never been in the public domain.

In the case of the second mention which was more specific in late summer, it was the Second Chief of Latin American Division, and I think you know his name. If you want, I'll put it on the record.

Chairman BOREN. We were referring to him as just the Chief Number Two of Latin American Division.

Mr. FIERS. Chief Number Two.

Clair George, himself, who I reported to. Myself and Oliver North.

Chairman BOREN. I'm informed by Counsel, just for the information of Members, that we are releasing today the testimony that we've taken under oath of the Chief of the Latin American Division, #2. We're not releasing his name. But we have released his declassified statement of his testimony today.

Do you have, let me ask you again, any reason to believe that anyone else told Mr. Gates about the diversion here in the late summer in terms of the conversation you'd had with Colonel North?

Mr. FIERS. I have no reason to believe that and no reason to speculate one way or the other.

Chairman BOREN. Do you know whether Director Casey knew about the diversion?

Mr. FIERS. Not to my knowledge. Director Casey and I never spoke about it. Clair George and I never spoke about it. And I do not have first hand direct knowledge that the Director knew or did not know about the diversion.

Chairman BOREN. Do you suspect that he might have known?

Mr. FIERS. That's a very difficult question if you knew Bill Casey well. I suspect that there are things that were going on that Bill Casey knew that he did not share with me. And beyond that I really don't want to try to venture a guess and put something in his head or not in his head when I really just don't know.

Chairman BOREN. So the conversations were between Colonel North and you but there was never a direct conversation between Director Casey and you about this operation.

Mr. FIERS. No. And I might add that the conversations with Colonel North, both of them were informal, they were on the margins of other conversations and they were off-handed comments that Colonel North made to me that these things were happening.

Frequently he, in informal conversations, would just drop bits and pieces and I picked them up along the way. And it was in this informal context, both times, that I picked up this information and both times, particularly the first time, I was somewhat taken aback by it. I found it astounding. And it was in a disbelieving context that I spoke the first time with the first Chief of the Latin American Division and it was in that same doubting context, you know, what to think of this, that I spoke about it the second time.

So the information in my head was there, but I didn't know whether really to accept it, not accept it, or how to evaluate it until late in October or early November when the Iran arms sales really became public. Then I sort of said to myself this is true.

Chairman BOREN. Last week the Committee received sworn testimony in closed session from the Latin American Division Chief, referred to as Chief #2, to whom you first reported, according to your testimony, North's information.

He didn't recall any mention of a diversion. But he said he recalled one occasion when you asked what to do if you had learned something very sensitive about an operation. And let me repeat what he said in the testimony to us.

Quote, and I quote his testimony. "Alan came to me and said a very conjectural kind of thing. He said that if I were to know something, either very sensitive or important or scandalous or something about this whole program we're involved in, who should I talk to about it, or something like that. And I can't remember what it was, it was very conjectural and what if, and I can't remember the wording that he used, but it was clear to me that the conversation had nothing to do with the Agency. And I don't remember what I told him back but I think I would have told him something like, if it's something that's illegal you'd better tell the lawyers, or if it's something that's politically a hot potato I would take it to the seventh floor." That's the end of quote from the witness.

I then asked the witness if he remembered directing you to pass the information on to Clair George immediately and he replied, and again I quote him in his testimony, "Well, I think I would have said the seventh floor. Whether I said Clair George, who



would have been the next one up, or whether I said Casey, I just can't recall."

Do you recall any discussion like this with the Division Chief based on a hypothetical problem as opposed to a detailed specific reference to the diversion?

Mr. FIERS. It's been five years plus since those conversations took place and a lot of water has passed under the bridge and I'm quite certain that the individual in question's testimony is the way he recalls it. The way I recall it is the way I stated it. And the reason I recall it so well is that it laid on my heart like a shot for five years.

Each time I testified, each time the Committees did something, each time I read about Iran-Contra that just burned in me. Because I knew it was there. And I knew only five people knew it. And my recollections of the conversations are quite clear that they took place. I think that the tone, the context, the thrust in the way it was described by Chief #2 is largely accurate.

I remember it being somewhat more specific, however. But I would hasten to say that memories are bound to differ after five years when there is no written record.

Chairman BOREN. Thank you. Let's turn to the second matter that was the subject of your plea agreement, the testimony on the Hasenfus flight in October 1986.

The government states that after the downing of the Hasenfus plane but before the hearing on October 10th, you had a secure telephone conversation with Colonel North in which you asked North whether the downed aircraft was his, or North's. North told you that the plane was a part of his operation and that the operation was being dismantled. Is that roughly a correct summary?

Mr. FIERS. That is roughly a correct summary of conversations that took place with Oliver North and his office over that period of time, yes.

Chairman BOREN. Now let me turn your attention to Mr. Gates. Did you report North's information to Mr. Gates?

Mr. FIERS. I did not.

Chairman BOREN. Do you have any reason to believe that Mr. Gates was aware that the plane was a part of North's operation at that time?

Mr. FIERS. I don't have any reason that would make me think that he had the details or knew specifically that that plane was part of a North-White House operation in specific detail.

Chairman BOREN. As far as you know, did you have any knowledge of anyone else having a discussion with Mr. Gates about the same kind of information you received from Colonel North, that it was part of his operation?

Mr. FIERS. No, I don't think so. I think it's likely that there were only two people in the Agency that Colonel North would speak to in that kind of detail at that point in time. The two people being myself and possibly the Director, Bill Casey.

Chairman BOREN. Possibly the Director?

Mr. FIERS. Possibly the Director, Bill Casey.

Chairman BOREN. You don't know that?

Mr. FIERS. I don't know that as a fact.

Chairman BOREN. One way or the other.

Mr. FIERS. One way or the other.

Chairman BOREN. You speculate it might have been the Director?

Mr. FIERS. Yes.

Senator CRANSTON. Mr. Chairman, may I ask a question?

Chairman BOREN. Surely.

Senator CRANSTON. I just wanted to ask why you qualified your responses to the question about three back that Mr. Gates did not know in specific detail? Did you feel he had some knowledge or what?

Mr. FIERS. I felt that there were a number of people, a universe of people let me say, who were involved in Central American politics, who had some knowledge of the general outline that a White House support operation was taking place.

I think that few had details of it. I think almost none had complete details of it. And I believe that it's possible that some—to some extent, in some limited way there was sensitivity or understanding that that was taking place in the mind of perhaps, it is possible, of Bob Gates.

Chairman BOREN. Let me pursue what Senator Cranston just asked. I'm trying to recall Mr. Gates' testimony of the last two days. I believe he, in responding to a question about rumors he might have heard about Colonel North and his operation, indicated to us that he was aware of rumors and had a general feeling that Colonel North was certainly involved with the private benefactors. I think he said "holding hands" with them, encouraging them, involving himself or at least being knowledgeable of the private fund raising efforts and the rest of it.

But he indicated to us he didn't have any concrete understanding, or basic understanding that Colonel North was also, in essence, deeply involved in directing the day to day operations of the network in a way which would of course at that time been in violation of the law. That was during a period of time when the government nor any official of the government was not providing that kind of operational assistance.

So let me go back and ask you, do you believe Mr. Gates had knowledge of Colonel North's operational role in this matter?

Mr. FIERS. I don't have any reason to take strenuous objection to the description that you just put forward of Mr. Gates. I can't be in his mind and I don't know the extent of detail. I suspect it didn't go very far and that he didn't have very much detail with regard to what was going on.

So I really can't take objection to it and I really think it would be improper for me to try and put myself in his mind and conjecture as to what form that general understanding or those rumors took.

Chairman BOREN. I want to be clear because I think it's important, as Senator Cranston said, that we understand any qualifications to your answer that you gave earlier on these two conversations. Would you characterize for us again first, what you know Mr. Gates' knowledge was either from any conversations you had with him about Colonel North's operational role, or what you know about any conversations he could have had with anyone else. And then your own conclusion based upon just general knowledge of the



Agency and how it worked and what you think the knowledge of Mr. Gates would have been? Could you walk through each one of those so that we know exactly what you're saying to us here?

Mr. FIERS. I think it's important to—as I answer this question, for the Committee to understand that I now have the benefit of 20/20 hindsight. So there is a lot in my head that I have seen and I've got to try to filter that out and place myself back in the time in the context of 1986 as I do this.

I think as the Committee knows from the staff debriefs, in several of the meetings made reference to, Bob Gates and I had discussions that touched on the White House operation. There were two in particular that I recall. I wish I recalled them in greater detail. I don't. They're sort of middle stage recollections but not specific pictures and recall of words.

One was a discussion that took place—I think both of them took place in the July time frame—discussion one concerned a question as to why I didn't want to pick up the assets that the private benefactors were using and transition those and use them in our operation.

Chairman BOREN. Saying your operation, you mean after such time as—

Mr. FIERS. The up-coming—by that point in time—I should be very specific—by that point in time it was quite clear that the legal, \$100 million program for the Nicaraguan operation was going to be voted up. We were in serious planning for how to execute that operation. And I was looking at assets I was going to use for aerial resupply.

Oliver North wanted me to buy the assets of the private benefactors. He talked with me about it, he had others talk with me about. One of those people who—

Chairman BOREN. Including Mr. Gates.

Mr. FIERS. Was Mr. Gates. And he asked me, Alan, why aren't you buying these assets, what's wrong with them. He didn't force me, he didn't say I want you to buy them, he just asked a question, I gave him the logic, the reason. They're old, they're not the right type, they're heavy on maintenance, they are heavy in fuel, they don't carry the load, they don't have the range, and besides they are of a—I don't know their background and I don't want to taint this upcoming program with anything that is questionable.

I had that conversation. The details, the specificity of it, I can't be certain of, but I am certain that we had that exchange. In more or less that form.

Secondly, there was a conversation, one of several I had concerning the question of whether or not Vince Cannistraro, who was an Agency officer on detail to the NSC, should be extended at the NSC.

Chairman BOREN. Yes.

Mr. FIERS. And I was asked my views on that. And I said several times that if Vince is extended, and if he takes over the Central American account, he can't have the same relationships with the private benefactors that Oliver North has. That would get us in a place where we don't want to be.

From those two conversations, from the general ambient that we lived in, from the—living in the environment, at the time, I con-

cluded that along with many other people in the Administration, Bob Gates understood the framework that was taking place. I have no reason to believe, in fact I am sure he didn't know details, I think there were few who knew details. Indeed, I didn't know all the details that were going on.

Chairman BOREN. Okay, let me ask you specifically because it is important that we know what you mean by framework. He has testified before us and I think I can fairly summarize this by saying obviously he knew that Oliver North was involved with the private group that was supporting the Contras. North was talking to them, as Gates put it, handholding, sharing their problems. I mean they were talking to him about raising the money and all of these sorts of things. He said he did not know that—as I interpret his testimony—that he was involved in running the actual operation, even getting into details of leasing planes, hiring pilots, getting information. I can't from my own memory recall what was allowed by law at that time, there were various times when we could share intelligence and communications, but nothing else and so on.

So Gates has indicated that he was aware broadly that Colonel North certainly had a relationship with them, but he was not aware of the operational role. This is very important for us to clarify what you are saying in terms of your knowledge of what you told him, your knowledge of what others may have told him, and then your assessment as to whether or not you think that his testimony is accurate or not.

Mr. FIERS. I put no knowledge in Bob Gates head, I repeat, I put no knowledge in Bob Gates head that would call that question—his response into doubt. I never talked with him in any specific detail about what Oliver North was doing or not doing.

From what I know at the time, what I understood at the time to be the case, I have no reason to take exception to his comment, to the characterization of his state of knowledge.

I also understood clearly, I want to repeat that, I understood clearly the universe in which I was living. I understood from 1984 the potential problem this could cause, from November of 1984 to be specific. And I took cautions and weighed every action I took in terms of putting knowledge in peoples head. I took cautions to keep CIA—all the people that worked for me on the right side of the line, not to cross over the Boland Amendment, not to get involved in the private operations. I took it on myself to be the buffer between my people and to the degree, the Agency leadership. And I decided at that point in time that if there were responsibilities and liabilities that accrued to me as a result of those actions I would accept them. I started that process in 1987. My testimony was incomplete in that I still protected people. I did that because, one, of my friendship with them; two, because I wanted to continue in the job to see it to completion because I believed in what we were doing. But I was ready then to accept responsibility for my actions. I hoped it would have never come to what it did. But I accept that responsibility now.

And in the context of that there were times, in fact most of the time, I did not take things of the nature you are talking about to Bob Gates. I didn't take them to Director Casey. They stopped with Clair George and even then not in the detail that I knew them.

Enough so that he understood the universe we were living in, enough so that he and I both understood the degree of exposure we had, and indeed we had discussions about that as early as November of 1984.

But I have no reason to call into question or to question the characterization that Bob Gates has put in front of this Committee. My understanding of what was in his head was strictly deduced on the basis of my understanding, the universe in which we were operating, those conversations I had and the sensitive nature of the information. To reiterate, I didn't put information in his head. We didn't talk about it, and I don't know what was there and I can't take exception to what he is saying.

Chairman BOREN. You talked about being a buffer to some others higher in the Agency. So your decision not to discuss this matter in detail with Mr. Gates was partly an intentional decision as you viewed your buffer role?

Mr. FIERS. There is a conservation that took place the Committee needs to understand. It's been referred to, I think obliquely in several different forms, but let me put it in it's completion, in its fullness, on the record here.

At some point in October of 1984, I was asked to do something, and I can't remember what the something was, by Oliver North. And a dispute arose. I was brand new on the job. I was called to a meeting—called up actually, by Dewey Clarridge, to talk to him one floor above me—

Chairman BOREN. And he was what?

Mr. FIERS. He was then Chief of the European Division. Before that he had been Chief of the Latin American Division. And really had been the hands-on manager of the Central American program.

Dewey essentially said to me, Alan there are things going on that you don't know about; cooperate with Ollie. The thrust of his comments.

I understood what it meant. I went back down and I told the Chief of the Latin American Division #1 this is what happened, he said let's go talk to Clair. We went, we talked to Clair. About, I think it was the same day, it certainly was within two days, we were called into a meeting in Director Casey's office—Clair George, me, Chief of Latin America #1, Oliver North, the Director.

Chairman BOREN. Was Mr. Gates present at that?

Mr. FIERS. No. Mr. Gates was then DDI. He was nowhere around this equation.

And the Director looked at Ollie and said Ollie, Alan tells me you are operating in Central America. Is that true? And then the Director looked at me and said, Alan tell Ollie what you told Clair and the Chief of Latin America Division #1. So I, somewhat of an awkward situation, I rounded the edges a bit, and repeated the same story, feeling slightly uncomfortable with sort of that confrontation. Then the Director looked and said, Ollie, are you operating? And Ollie looked at the Director and said, no sir, I am not operating—

Chairman BOREN. Are you talking about Contra operations?

Mr. FIERS. Contras. Operating in Central America. Ollie looked at the Director and said no. The Director said, good, I want you to understand that you are not to operate in Central America. We

walked out and Clair and I went back to his office. And I was somewhat—I was left incredulous. And he said Alan, you have got to understand what happened in that meeting just now. Sometime—and I am quoting now, I remember this like it was yesterday, “Sometime in the dark of the night, Bill Casey has said, I will take care of Central America, just leave it to me. And what you saw go on in there was a charade.” And I looked at Clair, and these were my words, and please excuse me for profanity, I said “Jesus Christ Clair, if that is true then this will be worse than Watergate, if it ever comes out in the open”. And Clair just shook his head and he said essentially, that is not a problem.

From that point forward, I knew my universe, I understood where we were and I made the decision because I believed in the cause, I believed in what we were doing, I felt in face of the setbacks that I mentioned, that the United States could not afford another fiasco, this Agency could not afford another failure in Central America.

Senator MURKOWSKI. I wonder if I may, is that, Mr. Fiers, were you interpreted that you had crossed the line so to speak?

Mr. FIERS. No. It was at that point that I understood the universe I was in, understood—is when I decided, well, we are here. I have to be a buffer, so my people, the Agency, doesn't get out—doesn't get exposed if there is liability that accrues to me from this, then I'll have to accept it.

And I remember very clearly sitting on the couch with my father and telling him, Dad, I don't think I will come through this with my career intact, but I am going to do it. And that is not where I cross the line. Where I felt I crossed the line, I got crossed to the line was in January or February of 1986. By that time, I had a fairly complete picture—a more complete picture of the operations that—the private benefactor operations as we called them.

And I was in Oliver North's office one day, and he said to me, essentially said, Alan, it's coming to the time where you should get ready to take these operations over. There was a vote coming up in February. And we thought we were going to win the vote. We ultimately lost by I think by a margin of five on the House side.

And I started to seriously plan for taking over the operations. And in that context, I met with the person, the private benefactor, the head of the private benefactors who was running or beginning to run the air operation and we had some detailed discussions. It was at that point where I was in contact with the private benefactors, talking with them, that I felt I got out too far. That I rubbed elbows with the operation, got direct knowledge of the operation. Because I was debriefing him essentially. And then we lost the vote. And I pulled back. But when I made reference to encroachment, that was the point of encroachment that I was making reference to. It was not back in November of 1984.

In November of 1984 is where I defined the universe and understood the crucible that I was in. And it's why from that point forward, it was absolutely clear in my mind that my leadership, my direct management, at least as it related to the DDO, understood the universe.

And we never talked about it in great and excruciating detail. It was an unspoken understanding.

Chairman BOREN. Let me say to my colleagues, there are just three or four more questions I feel I should ask to lay the predicate, to set the stage maybe for additional questions by all of our colleagues around the table. I do want to press on to those.

Mr. Fiers, I sat as a member of the Iran-Contra Committee as did other Members of our Committee. I don't think we ever had a clearer explanation than you have given us, especially of the kinds of dilemmas faced by people in the Agency. The stop and start action of the Congress created dilemmas of not knowing whether the aid was about to be approved and officially resumed. And not knowing if it wasn't going to be, being caught there. You were operating in an environment—and we can only imagine putting ourselves in your position—where at least potentially the top leader of an agency for which you were working had a conversation in your presence which you had strong reason to believe was a charade. You were being told with a wink and a nod, to do something but not being told with direct language.

I think that gives us a new and deeper understanding of exactly the kinds of situation that people like yourselves found yourself in.

Let me ask one last question on this subject and then I have one other matter I want to bring up before we turn to other Members. It goes back again to Mr. Gates. I want to ask you this very directly. You've indicated that you don't have a basis for quarreling with Mr. Gates' description of this knowledge to this Committee. You've also indicated that you began to feel that you should act as a buffer by not telling some people in the Agency all that you knew about certain things. Keep them as you said on the other side of the line and bear that burden yourself.

In your testimony today, are you being absolutely forthcoming with the Committee in terms of telling us what you told Mr. Gates and what you know of Mr. Gates' knowledge? Can you assure us you are not continuing in any way to try to act as a buffer for Mr. Gates as you testify today?

Mr. FIERS. The short answer is I can give you that assurance and the longer answer is, Mr. Chairman, I think those who know me know I am not a fool.

And this point, at this stage, with the liabilities that I have, to do that would be foolish beyond all description. And I can guarantee you that I am not a fool.

Chairman BOREN. The plea agreement also states that on October 9, 1986, you and Clair George met to discuss briefing the Senate Foreign Relations Committee and the House Permanent Select Committee on Intelligence on the circumstances surrounding the downed plane. You told Mr. George that you and he should describe certain details regarding the lethal resupply operation. I quote now the government's description, Mr. George informed you that these details would not be discussed because, quote, "it would put the spotlight on the Administration", unquote, and thus reveal Colonel North's involvement in the operation. The government says that you acquiesced to Mr. George's plan and had a draft of Mr. George's opening statement revised to delete the information identified by Mr. George as troublesome. Is that roughly accurate?

Mr. FIERS. That is accurate. Yes.

Chairman BOREN. CIA records show that on this same day, October 9, 1986, at 6:25 p.m., Mr. Gates met with you, Mr. Clair George, Director Casey and a CIA Congressional Affairs Officer. Do you recall that meeting?

Mr. FIERS. I have a vague recollection of that meeting. I might add for your edification, before my recent encounters this summer, I really didn't remember those. But having gone over the record, having reviewed them, I have memories of those meetings and what transpired, yes, that I have been able to dredge up.

Chairman BOREN. So, in light of having your memory refreshed by looking at documents, you do now recall that there was such a meeting?

Mr. FIERS. Yes. Yes. That's exactly right.

Chairman BOREN. At this meeting, the 6:25 p.m. meeting on October 9th, was any instruction or direction given by Mr. Casey, Mr. Gates, or by Mr. George in that particular meeting?

Mr. FIERS. At the evening meeting?

Chairman BOREN. In the evening meeting. I gather in the earlier meeting Mr. George had told you, don't put the spotlight on, leave this out, and you changed the testimony to do that. Then you had this later meeting.

Mr. FIERS. Right.

Chairman BOREN. At the later meeting, was any instruction or direction given by either Director Casey, Mr. Gates, or Mr. George, who were all present according to this information, to limit the way testimony would be given by Mr. George?

Mr. FIERS. I don't recall any discussion of the deletions or the actual texts of the testimony at that point in time.

The evening meeting that you are making reference to, as I recall it, was largely a pro forma meeting to make the final decision as to who the witness—the lead witness would be the following day.

There had been some disagreement about who should be the lead witness. Should it be Clair George? Or should it be Bob Gates? The Congressional liaison person, to whom you made reference, and I had differing opinions on that. And we discussed it at length.

My recollection based on a reconstructive look at documents is that there were a series of meetings that day. I recall one in the morning. Not as clearly as I recall the other two. But a brief one with Bob Gates and Clair George. I think it was in his, Bob Gates' office. And we strictly discussed we're going to have to testify, prepare the testimony. From an Agency point of view, we can say that we were not involved. And at that point in time, we believed, in fact our denial was accurate. That there was no Agency involvement in this flight.

We didn't go into more detail. We didn't—did not, and I repeat did not say but wait, what about the White House operation. None of that came up. It was a brief conversation. We came out of that, Clair George said, Alan go draft me a statement, an opening statement. There were no instructions of what to put in that statement. Other than to start off with a categorical denial that I can assure you CIA was not involved directly or indirectly, yes.

Chairman BOREN. Let me specifically again go back to Mr. Gates and the instruction that Mr. George gave you or the comment that



he made to you to leave that out, let's not put the spotlight on the Administration.

At this meeting or any of these other brief meetings you've determined, or at any other time—at any other time—did you inform Robert Gates of Mr. George's direction to you to withhold information to keep the spotlight off the Administration?

Mr. FIERS. No. At no time.

Chairman BOREN. At no time?

Mr. FIERS. At no time.

Chairman BOREN. Do you have any reason to believe Mr. Gates knew of the decision to withhold the information to, quote, "keep the spotlight off the Administration"?

Mr. FIERS. I have no reason to.

Chairman BOREN. Do you have any understanding that you or any other CIA official was under any Presidential order not to disclose to the Congress the private Contra resupply or diversion activities in Central America? Now I want to be clear, I'm not talking about the Finding about Iran arms sales which we know contained a Presidential Directive that the Congressional Committees were not to be informed about that Finding or that sale of arms to Iran.

But do you have any knowledge of a second Presidential Directive related to the President ordering that Congress not be informed about any involvement of anybody in the government with the private resupply operation or of funneling money to the Contras through the diversion?

Mr. FIERS. I have no direct knowledge, no knowledge of a Presidential Directive. And I would add to that that Oliver North and I had discussions about that. The discussions were essentially, Alan, there are things you can't know, you shouldn't know. You testify before Congress and you can't have them in your head.

Chairman BOREN. That related to the Contra effort?

Mr. FIERS. That was related to exactly the question you asked, the Contra support effort run by the NSC.

Then there was a discussion that Ollie and I had, really one of the more dramatic discussions. It took place in the White House compound, either between the Executive Office Building and the West Wing or along the way, in which right after Bob McFarlane had testified—or not testified—had met with Members of the Congress and assured them there was no private operation going on, Oliver North said to me, Alan, Bob McFarlane just perjured himself. And my heart sunk.

You take those events together and it was pretty clear to me that this was not an operation that we were supposed to discuss with the Congress.

Chairman BOREN. You were not supposed to discuss it. Colonel North made it pretty clear by saying those are facts that are not to be in your head when you go before Congress?

Mr. FIERS. That's exactly right.

We never went beyond, don't you dare discuss, don't mention it. But it was understood as clearly as anything was understood.

Chairman BOREN. Did you know whether or not this was Ollie North saying this to you or whether it was the President of the United States through Ollie North saying it to you?

Mr. FIERS. That is a judgment I have absolutely no way of making. And it is open to a thousand different interpretations and I think you know what I am saying here. I just don't know.

Chairman BOREN. Mr. Fiers, you have been very candid with us. I know we have walked you through some painful territory again in this public session, but I think you understand why it is very necessary for us to do that. This Committee as I said in the beginning, is determined to be both fair and thorough in our deliberations on this nomination.

Requiring you to testify certainly became necessary in keeping with that responsibility to be as thorough as possible and to get all the information that we could possibly get.

Mr. FIERS. I fully understand that and indeed I welcome the opportunity to do it. I think it is important that it be discussed fully and completely in front of you and the American people.

Chairman BOREN. Thank you Mr. Fiers. We will turn now to Senator Murkowski and let me say for the benefit of my colleagues we will then go to Senator Chafee according to the list I have, then Senator Hollings, Senators Metzenbaum, Cranston, Danforth, Warner, Rudman, DeConcini and Gorton in that order.

Senator Murkowski.

Senator MURKOWSKI. Thank you Mr. Chairman. Mr. Fiers, I too want to welcome you to the Committee and I think the opportunity to have you as a witness affords us a special review of the Special Counsel's activities, recognizing that all the witnesses before the Special Counsel are not available to this Committee.

I would like to take you back to, it may have been October of 1984, but the meeting that occurred in Mr. Casey's office that you spoke of so dramatically.

And would you again for the record indicate in addition to Mr. Casey, Mr. North, and yourself and Mr. George, who else was at that meeting?

Mr. FIERS. Only one other person as I recall it, and that was the First Chief of the Latin American Division. I recall 5 people in the room.

Senator MURKOWSKI. All right. And at that meeting as you reflect on it now, every one of those people in your opinion or estimation, I assume, was knowledgeable about the Central American activities?

Mr. FIERS. Everyone of them had at that point an understanding that there was an activity going on. I don't know the degree of detail that was in anybody's head, but there was a baseline understanding at that meeting, yes.

Senator MURKOWSKI. Well, the question arising in my mind, is who was this meeting staged for? In the dialogue between Casey and North, according to your statement, North said words to the effect that, no, we are not operating in Central America. Could you elaborate?

Mr. FIERS. When I said that it was a charade, I think was my word, those were Clair's words, those weren't my words. And I think that it was for the purpose of making it clear to Ollie, to the CIA, that there was a line drawn in the sand and that CIA wasn't supposed to cross the line, we were not supposed to be involved in the operation. And it was an effort to make a separation. But out



of that separation, it was clear to me that these activities were going on. I think there was an effort by the Director to keep the Agency as much as possible out of harms way by making sure the record was complete and there was a baseline understanding. And indeed for a while—6 months or so—I didn't have a close relationship with Oliver North. There was some distance in there.

Senator MURKOWSKI. Whether it was staged or whether there was a charade, we know your knowledge of the activities, we know of North's knowledge through your testimony and other sources. We are really not going to be able probably to get to what Clair George knew, the other CIA operative goes nameless, Casey has passed away.

Given that Casey asked North and North's response, do you have any knowledge that Casey knew?

Mr. FIERS. No, I really don't know the extent of Casey's knowledge. I didn't know then, I don't know now. The only conversation Bill Casey and I ever had on this he said to me one time late in the game, Alan how much do you know about Ollie's operations and I said, well I know some, I said but not much. And he said, good, keep it that way, or something like that. And beyond that, I don't know what he knew and I can only report that the conversations took place and the impact it had on me. And I can tell you that as time went on and as I understood more about the private benefactor operation, that that meeting became more and more significant in my mind.

Senator MURKOWSKI. And that was the only time that you and Director Casey talked about North's activities?

Mr. FIERS. And the time I mentioned when he said how much do you understand.

Senator MURKOWSKI. That is what I was referring to.

Mr. FIERS. And actually I recalled as I was preparing for this meeting and dredging the recesses of my mind, one other conversation—comment of a dying man. It's in December, maybe it is in late November, he said to me almost wistfully, Alan, Ollie ran one helluva operation, didn't he?

Senator MURKOWSKI. So there basically are 3 occasions in his office?

Mr. FIERS. I might add I responded, I said, he sure did.

Senator MURKOWSKI. Based on your own recollection of these meetings, where Casey was very casual in reference to the activities in Central America, is it conceivable in your mind that Casey didn't know?

Mr. FIERS. I think it is conceivable in my mind—it is conceivable in my mind—and I want to emphasize this is speculation, that Casey did not have the full range of detailed understanding that has been ascribed to him, that's possible.

I think it is not possible that he didn't have a, I'll call it a baseline understanding that it was taking place and that it was significant. But beyond that it is possible that Bill Casey did not know. And I have listened to Oliver North's testimony, I have read the record, and I speculated on it, and I just don't know. I don't know how to come out on the equation.

I can tell you another conversation I had with Bill Casey. He called me—I remember this one also clearly—I was sitting in my

office November 26th, it was the day before I was to leave for Thanksgiving. He was already at his house in Palm Beach and he called me on a secure line and he said Alan, and I said, yeah, he said don't worry, everything is going to be okay, we haven't done anything illegal, you understand that? And I said—I never called him Bill and I never called him Director, I called him Boss—I said, yeah Boss, I understand that. And he said good, now remember that, we haven't done anything illegal, and he hung up. And I hung up the telephone.

And I—traveling—my wife asked me as we drove back through my native Ohio, to my wife's home in Indiana and she said, Alan why are you so quiet, and I said, you just don't understand what the next 6 years are going to be like. I didn't say 6—the next couple of years are going to be like.

Senator MURKOWSKI. In your relationship with Mr. Casey did you have the availability of going to him directly? Or was there a structured command or administrative procedure that you followed? Tell us a little about how you interacted? Briefly tell us about your impression of Casey's management style, his reliance on structure, compartmentation, whatever?

Mr. FIERS. My relationship with Bill Casey began in 1981. I was selected by Director Turner, Admiral Turner, for the important linchpin job in the Middle East. I might add that my specialty is not Central America, I was a Middle East specialist. And I was being selected to go on to one of our very important key stations in the Middle East as COS by Turner. And Casey demanded to see me. He called me up and he said, he looked at me, and he said, they tell me you are the best man for the job, tell me why that is. Tell me why you are any good. Essentially saying if Turner selected you, you got to be bad, prove to me that you are good.

We had this discussion, I went on—

Senator MURKOWSKI. Excuse me, what was the job?

Mr. FIERS. I think the job is probably still classified, I am not entirely sure. But it was important and significant.

Over the period that I was in that job, I developed a close relationship with the Director. I worked with him personally. He visited the area several times. I was with him intimately, prepared the strategy for those meetings, and those meetings were significant and of significant importance. And a couple of times I wrote talking points and said look what you want to say at Langley is not this, you want to say this. And saying this was the right thing to say, we got the right answers and so and so forth. And he developed a liking for me.

We were at a social event attentive to that assignment, the Director came up to me and said Alan, you are not going to take the job that you are slated for, and I was slated for a very senior job in NE Division that really is one of the plum jobs of the Agency, for officers at the grade and point that I was at that time. He said you got to do something else. And I said well can you tell me what it is, and he said no I can't. I said, well, you know I'll do anything you ask me to do. He said I know that. About two days later Clair George called me up and said Alan, you are going to take the Central American Task Force. I said why me. He said because we want

you to. And I said to whom do I report? And he said, Clair said, you report to me.

And I knew that in that job Dewey Clarridge had had a close relationship with the Director, I knew the Director was interested in it and I knew that a personal relationship would likely evolve.

It didn't evolve for the first couple of months. In November of 1986—in November of 1984 I guess it was, the Director called me and said Alan how are things going in Central America? At home, at supper—

Senator CHAFEE. What did you say? Excuse me.

Mr. FIERS. In November of 1984, the Director called me at home, I was having supper and he said, Alan, how are things going? And I said do you want it straight, and he said yeah. I said they are terrible. And he said, why? I said don't have a policy, I don't know what I am doing, and I can't run operations if I don't know where I am going. And he said, see me in the morning.

At nine the next morning I went up, he said elaborate on that and I elaborated on it. The Central American covert action program had been unfunded. The Manzanilla Talks that were being pursued by the State Department had come to nothing. The Sandinistas were on a roll, we didn't have a framework and I said I don't know where to direct my operations. And he said go down and write me a policy paper. From that point, I did. He said, now, he read it, he worked it through and then he said okay, you leave the policy to me you run the operations. And from that point forward, I had a direct relationship where Casey would call me and ask me to come up, give me directions, ask me to do things, give me instructions. And it evolved to the point where it was really quite close. Sometimes he would call me up and just say come up and have lunch with me, or I could go to his executive secretary and say I need to talk to the boss for 5 minutes and I could do that. It was a matter of some concern and some angst. Clair jumped on me more than a few times about that relationship. But it was there and it was both personal and professional.

Senator MURKOWSKI. When you were instructed that you would take your direction from George, was there an understanding where George was getting his direction?

Mr. FIERS. No, there was no understanding, one just assumes. I think Clair just said that's the chain of command, you're going to report to me. I don't know where that came from. I don't know—and that was just the way the conversation—

Senator MURKOWSKI. And in your opinion George reported to whom?

Mr. FIERS. In my opinion George reported to Casey. But at that point in time, we had a very strong Deputy Director, John McMahon, and I think he had his hand right on the pulse of the deal.

Senator MURKOWSKI. And many of the conversations that you had which were initiated by Casey, there was no reason for you to communicate that to George?

Mr. FIERS. It bypassed him. I would then tell him. I would go back and tell him what was said, he said to do this or he said to do that. I tried to keep both, particularly George and also the Chief of Latin American Division informed, particularly Chief Latin American Division #2, informed of what was transpiring.

Senator MURKOWSKI. According to the records of the testimony that the Committee has available on August 20, 1986, Mr. Gates conditioned his approval for a Contra intelligence training program on the curriculum being consistent with the law and the regulations. Do you recall those circumstances? And if you do, did he provide any other guidance for the program or to the task force which you headed?

Mr. FIERS. I don't recall specifically that exchange, but that in fact was the case and I am certain that is what happened. The answer to your question is that Bob Gates was quite involved in the structuring of the new program, the \$100 million program. Most of my meetings that the Chairman made reference to were about the structuring of those programs, interagency relationships, relationships within the CIA itself. Detailing of military detailees that were going to be working with us on the program. And within that context, he was very much involved in making sure that the structure was consistent with the law.

Two actions that he took I think that are instructive as to what kind of a manager he was relate to that program. One was he assigned the Agency Comptroller, Danny Childs, to really overtake seventh floor oversight on expenditure of all the monies. He instructed me to meet, sometimes weekly, sometimes more than weekly with Danny, to review the expenditure, to review the accounting, to review the oversight—oversight procedures.

And secondly, at a point in time and I think this is one of the more misunderstood and misrepresented aspects of the Central American program, we determined that one person that we had been using to fly had had a connection with DEA and had a questionable background as it related to drugs. We immediately removed him from the program and Bob Gates instructed that every person that touched the program in any way be run through a very strenuous interagency check to make sure we were absolutely clean.

So not only with the training program but with financial aspects of the program and personnel aspects of the program, he set up very stringent guidelines that we were to adhere to. And was very much concerned with the efficacy and the correctness of that program.

Senator MURKOWSKI. With regard to the sensitivity of Mr. Gates on the matter of the Boland Amendment and whether your people really understood the prohibition, were they cognizant of what this meant? Or was it emphasized, was it just one of those things that comes out that people ought to be aware of?

Mr. FIERS. No. There were—as you know, I think, and as members of the Committee know, there wasn't just one Boland Amendment, there were four. Boland Amendments one and two, '83 and '84 were understood very thoroughly, the '83 being the cap on spending at \$24 million. We understood if we went over \$24 million that was trouble, we couldn't do that. That was when I first came to the Task Force. Boland amendment two was the absolute and total prohibition. That one was understood because we dismantled the operation and people knew that we could not encroach on it. It was sufficiently painful to implement that everybody understood that.

Boland amendment three was modified by the Military Construction Appropriations Act of 1985, which allowed for humanitarian assistance and for a limited sharing of intelligence, as I recall it. That one was understood, but fuzziness began to set in there. Because what is not absolute is subject to interpretation. Boland amendment four allowed us to provide communications equipment, intelligence sharing and some very convoluted language, advice—logistical advice so long as it was not integral to military operations. That one no one understood. And it was that one where confusion set in. And that in timeframe is in '86 when we were moving forward, leading toward the resumption of a full and unencumbered program.

So there was confusion, but efforts were made within the management structure to clarify that confusion. I would add that throughout that timeframe up through April of 1986, Bob Gates was not involved in the management of this program. He was on the DI side involved in the intelligence analysis aspects of the program.

After he came into the program, yes, he was concerned about that, concerned that we had understandings, and that it was clearly understood, but confusion by that point had already set in.

Senator MURKOWSKI. Do you have any reason to believe that Bob Gates ever intended to mislead Congress?

Mr. FIERS. I think to the contrary. I don't think Bob Gates would ever intend to mislead Congress.

Senator MURKOWSKI. More specifically about facts concerning the shooting down of the Hasenfus aircraft or diversion?

Mr. FIERS. No, I have no reason to speculate that he would have wanted to specifically—to mislead Congress.

Senator MURKOWSKI. Let me take you back to something that set off public opinion on the operation in Central America and planted the seeds of very poor public relations—the mining of the harbor.

That was—activity was at a time when you were head of the Central American Task Force, is that correct?

Mr. FIERS. No, that is not correct. I was happily and safely ensconced in the Middle East at that point in time in 1984 when the mining took place and I came in after the controversies accruing from the mining in the harbor had already—were already in full blossom.

Senator MURKOWSKI. So it was fully acknowledged by the time you came in—

Mr. FIERS. Yes, yes.

Senator MURKOWSKI. There was a mess when you walked in associated with the harm that this had caused from the standpoint of public opinion against it?

Mr. FIERS. Yes, I walked in to a totally polarized situation with regard to the politics surrounding Central America.

Senator MURKOWSKI. Can you for the record, and maybe you don't recall, but there was some controversy over the capability of these mines. Whether they were there for harassment by virtue of their very minor explosive capability, or whether they were of a kind that clearly could endanger lives and sink ships.

Mr. FIERS. My information on the mining of the harbors is purely secondhand. I never read the files. I didn't review the tech-

nical aspects of the particular systems that were emplaced. I do know, from talking with the officers of the task force, as they were sort of bringing me—giving me some institutional understanding of it—that the mines were to have been harassment as opposed to lethal weapons. That they were not designed to sink ships but rather to create an illusion that they would do that and to harass and scare off I think largely tankers carrying oil. Essentially Nicaraguan—

Senator MURKOWSKI. But I think from the standpoint of public consumption, it was assumed that these were significant types of mines that would sink ships and kill people.

Mr. FIERS. I think that is correct, and I think it was presumed that way and it was a—my understanding is that that's a misconception.

Senator MURKOWSKI. I appreciate you addressing that for the record.

Mr. Chairman, I may have some other questions, but I think I've used enough time. Thank you.

Chairman BOREN. Thank you very much, Senator Murkowski.

We will now turn for his round of questions to Senator Chafee.

Senator CHAFEE. Thank you, Mr. Chairman.

Mr. Fiers, I think it is extremely important to stress what you did in your opening statement about what was taking place in the world at this time, the turmoil and the activity in the late 70's and early 80's.

Somehow the impression is that—some Members seem to suggest anyway, that every CIA officer would come to work in the morning with an absolutely clean desk and sit down and spend the day and indeed the week analyzing what nuisance they should attribute to some cryptic remark that Ollie North made or the latest rumor about diversions. And that's the only thing you had to contend with.

And so I think it is important, and perhaps briefly you could—well, let me as an opener quote to you what you said about your assessment of Oliver North before the Iran-Contra. And if this is incorrect, you let me know.

I never knew Colonel North to be an absolute liar. But I never took anything he said at face value. Because I knew that he was bombastic and embellished the record, and threw curves, speed balls, and spit balls to get what he wanted. I have seen Colonel North play fast and loose with the facts. But on the other hand, there is a lot of fact in what he said, too. Now the suggestions that are being made before this Committee are that when Oliver North made some cryptic remark or when something was suggested regarding the diversion, that everybody should have jumped to attention and paid heed to it. Could you comment on that briefly?

Mr. FIERS. If I could walk the cat back and use different words to make the same descriptions I might. Ollie, as I think the Members of the Committee, indeed the American people know, is a truly unique individual. He is gifted beyond what words—I know I am not eloquent enough in diction to describe the degree to which Ollie is gifted in many ways.

But I stick by my description of him. I would use different words. I might compare him a little bit to Hoyt Wilhelm. As you remem-



ber, Hoyt Wilhelm never knew where the ball was going so his catcher wore a huge mitt so he could get it. Ollie was like that. You never knew where the ball was going. Sometimes it was tremendously effective and sometimes it was a total wild pitch.

But he always brought something to a meeting. He always brought ideas, creativity. And I think in many ways, leaving aside all the controversy, he brought the best out of people in meetings because he stretched your mind.

But, no, we didn't spend all of our time analyzing what Ollie did or didn't do. And you couldn't take what he said—I knew you couldn't take what he said on face value and just go with it as fact—go with it as fact. But as time went on, I also knew that he knew what he was talking about.

Let me give you an example that's now in the public domain. Give you some idea of, again, the ambient. It was 1985ish and Ollie was putting forth one of his ideas saying, you know what we really ought to do is we ought to just blow up all the HIND helicopters in Nicaragua.

There are two squadrons of stealth airplanes sitting out in wherever it was—two planes could get in and get out and no one would ever know it. Now that wasn't public knowledge and I just sort of laughed up my sleeve and said come on, everybody knows that's developmental technology. It was true. They were there. They were operational. Ollie knew it. You didn't know how to expect or how to interpret those facts. A lot of what he said was true, but some of it was so far outside what I would have expected that you said, well, maybe, maybe not, and you just put it aside.

That's the way I treated the diversion. I treated the diversion the first two times I heard it just like I treated those squadrons of stealth airplanes. Well, that's interesting information. I filed it away. Didn't know to believe it or not believe it. There were other instances like that.

And so it wasn't the black and white world. The decisions, as I said in my opening statement, that are so crisp, so clear today, in the fog of battle were anything but clear and we thought about them, you are quite right in matters of minutes.

I'd like to make sort of a point on that. I probably spent in preparing the opening statement which resulted in one of my pleas, an hour, an hour and a half. I had other things going around down my neck at that point in time. I dictated it literally to a secretary. I edited it. I took it upstairs to Clair George. He looked at it. I came back down with some different guidance. And I gave it to one of my assistants and I said rescope it this way. I then read it again in the evening time. So the events were moving fast. They were controversial. The fog of battle made decisions that are clear today, hazy. And you are quite right. We didn't know how to interpret Ollie North's comments all the time because we didn't have the context in which to interpret them. And we didn't spend great hours contemplating them.

Senator CHAFEE. It has been suggested in this Committee that when Ollie North at the lunch with Bill Casey in which Bob Gates dropped by, that Ollie North at the conclusion made some mention of Swiss bank accounts. And the suggestion is that anybody who

heard the word Swiss bank accounts should immediately have sprung to attention and conducted an investigation of the subject.

Knowing Ollie North, could this possibly fit in with the way you have categorized some of the comments that he has made?

Mr. FIERS. Yes. Swiss bank account. In retrospect you jump on it with all four paws. At the time, it is probably something you file away. And I thought that Bob Gates' categorization of it, it was interesting, it was thought provoking, intriguing. But not something that you stopped and dwelled on. It probably was a—it was a very honest characterization of the way you responded. It was how I responded to a lot of similar statements, not that one in particular, but others that I think I have described that Ollie made.

Senator CHAFEE. Now, you've indicated your relationship with Director Casey, and I must say in following the outline that you have given here, it's pretty apparent that Mr. Casey didn't strictly adhere to organizational charts. Is that a safe statement?

Mr. FIERS. That's a safe statement.

Senator CHAFEE. And furthermore he'd call you up, you'd go directly up to him. Above you was Clair George. Above you was the—

Mr. FIERS. Chief of the Latin American Division.

Senator CHAFEE. Chief of the Latin American Division. Then when you'd come back, you tried the best you can to fill them in. But, Bill Casey—I think—is it safe to agree with the categorization of Bill Casey's style that I think it was Bob Gates said that he wouldn't recognize an organizational chart if it fell on him.

Mr. FIERS. Well, he might recognize it ultimately. He wouldn't be bound by it. That's certainly true. He wouldn't let it limit his activities or circumscribe what he did.

Senator CHAFEE. Now, the question is whether people should have known what's going on in Ollie North's mind or Bill Casey's mind. Casey had in Ollie North and some of the rest of you and said to Ollie North, you have no operations in Central America, do you, Ollie? And the answer is no, we have no operations.

That's what Bill Casey—that was that incident?

Mr. FIERS. He said you are not running operations are you? And Ollie said no, I am not running operations.

Senator CHAFEE. And then he later reported, I guess toward the end of his life, Ollie ran a hell of an operation in Central America, didn't he?

Mr. FIERS. That's what he said.

Senator CHAFEE. So, what was—does anybody know what was in Bill Casey's mind?

Mr. FIERS. I can't answer the question. But let me tell you another vignette that I think will give you some idea of what you were dealing with.

It was in 1986—he called me up to lunch.

Senator CHAFEE. This is Bill Casey?

Mr. FIERS. Bill Casey called me up to lunch. He said Alan, come and have lunch with me. Now that's unusual. You sort of—you don't reach down to DO and have a DO officer come up and sit down one on one, and have lunch with the Director often.

And we sat down and we talked about Central America and we talked about his visions—and some day I will talk about those vi-



sions because the man saw and perceived that what happened in the Soviet Union was possible. And we talked about those things in a philosophical and operational context. But that's a story for another time and another place.

At the conversation, he said to me, you know the rumor is out there and so and so has spread it, that I have cancer and am a dying man. Do I look like a person that has cancer, Alan. And I looked at him and he was healthy and robust and feisty and I said, no, boss, you don't. And he said in that inimitable style, you're damn right I don't have cancer. And make sure people understand that. I am tired of these rumors.

The man had cancer. And the man didn't know he was dying at that point in time but certainly he was fighting cancer. And he looked at me with an absolute straight face and convinced me that that was balderdash.

Now, that's Bill Casey. And whether or not what was in his mind and how you got from his statement in 1984 to his statements in 1986, I can't begin to surmise because he is as smart as clever and as crafty as they come.

Senator CHAFEE. Do you know of any instances where, under Bill Casey, the Deputy Director of Central Intelligence would have been compartmented out of covert operations and activities?

Mr. FIERS. Sir, could you repeat the question, I was distracted slightly.

Senator CHAFEE. Do you know of any instances where, under Bill Casey's regime, the Deputy Director of Central Intelligence was compartmented out of covert activities?

Mr. FIERS. No, not as it relates to Agency activities. But then I am not close enough to the broad spectrum of covert action activities of the Agency to speak with authority on that point. I only saw during my tenure at a relatively senior level in CIA, activities as they related to certain portions of the Near East and Central America. So I can't give you a categorical statement.

But, insofar as sanctioned activities are concerned, and insofar as I had knowledge of them, the answer is no.

Senator CHAFEE. When Bobby Inman was the Deputy Director you were out in the Middle East?

Mr. FIERS. When Bobby Inman was the Deputy Director, I was running a certain branch of the Middle East operations at Headquarters and then went to the Middle East. So for part of the time I was in Washington, part of the time I was overseas. I was not at that point senior enough in the organization to have the insights to answer the question you have asked.

Senator CHAFEE. In answer to that question I gave, you said in—I think you said in legal covert operations.

Mr. FIERS. Yes.

Senator CHAFEE. You knew of no—why did you restrict it to the word legal?

Mr. FIERS. Because the Committee has focused on, the Iran-Contra Investigating Committee has focused on, and the Independent Counsel has focused on issues that were outside the purview, outside what one would consider officially sanctioned. And I can't comment on those one way or the other. I don't have any knowledge that would be pertinent or allow me to comment on it. So I

qualify my answer to those things that I saw which were officially sanctioned.

Senator CHAFEE. Thank you very much, Mr. Chairman.

Chairman BOREN. Senator Hollings.

Senator HOLLINGS. Mr. Fiers, your testimony brings into focus the real watershed with respect to our intelligence agencies informing the Congress. Historically that has never been the case.

I remember that Langley, the building and all, was built out there as an aircraft carrier. I think Mr. Dick Russell sort of prided himself on that. And up till now as a professional, you have given us the most interesting and most revealing picture of a professional caught up with a confused policy, a cat and mouse game between the Congress and the White House. You say, was it clear that the Contra operation was going on. It was clear to us in the Congress that the Contra operation was going on. In fact, after amendments and everything else, we provided monies, be they restricted and in the last vote of all we gave \$100 million.

But there was this cat and mouse game going on and you get down to the wire and a very respected member, Mr. Boland, who roomed with the Speaker Tip O'Neill, puts on his amendment, and we working in the vineyards there on the Appropriations Conference Committee ask, "Why doesn't the President say he's going to veto." The White House was not worried about it. That was the word we were getting.

And right to the point, we are going to have to really now put everything on top of the table when asked. But as of now you are charged and have had to plead to a misdemeanor of withholding information, is that correct.

Mr. FIERS. Yes sir. Two misdemeanors of withholding information from Congress.

Senator HOLLINGS. Two misdemeanors of withholding information on Iran-Contra. There is one thing that I really detest and that is hypocrisy. This Committee, its general function is to withhold information. I sneak out of doors around here so I don't have to even run into the press. They'll ask you all kinds of wild questions and they will not take no comment.

And we have, with Committee action, made sensitive or withheld information on Iran-Contra too. I hope when it's revealed that we're not convicted of a misdemeanor. I want the record to show that, because I didn't agree to it and I can't stand for hypocrisy or everybody pontificating around this table. We wanted everything to be so precise, the media were carrying it like a spectator sport, and not living in the real world when we know that the Contra operation was going on. We had a full Joint Committee. I thought the Intelligence Committee should have conducted these hearings. We, members of the Intelligence Committee started the first hearings and we were really getting to the point. And we got to some facts that we made Committee Sensitive up until this day. I voted against the Iran-Contra Joint Committee because when you talk about a charade, we were engaged in a charade.

Here we had Ollie North operating from over in the White House and the White House didn't know anything about Iran-Contra. We had, I think it was 12 shipments of 5,000 tons out of the Pentagon in weaponry and the Department of Defense didn't

know anything about it. We had five Ambassadors and two Under Secretaries of State involved in all of this. When you say Ollie ran a hell of an operation he had a hell of a lot of cooperation.

And with those Ambassadors and Under Secretaries of State, the State Department came forward and said they didn't know anything about it, were horrified about this. And of course, now Casey who was there operating, he said he didn't know anything about it.

Everybody knew all about it and you have given really a very revealing understanding, I should say, to intelligence operations in which, when we're under the gun, we are burdened to withhold information even from colleagues. And I'm not talking about a covert activity going along in Kalamazoo, or some such activity. I'm talking about Iran-Contra. This was the Committee charged to bring the truth to the American and of course we have withheld.

I appreciate very, very much your position. There is a new day. And I think you understand that and I understand that. We've all been in this game of withholding. But if and when anybody comes up from the Central Intelligence Agency or any other department of government and testifies before the Congress, they've got to level with the Congress or just say they can't comment, and that's Executive Privilege or otherwise, the President has directed them to do so. But the people down in the vineyards like yourself shouldn't be taking these raps.

Anybody with any sense knew that this magnificent Lieutenant Colonel did not operate on his own. He could not have operated through all of those departments on his own. But we have done our darndest to withhold the fact that the President of the United States knew about this operation. Thank you very much, Mr. Fiers.

Mr. FIERS. Thank you.

Chairman BOREN. Thank you, Senator Hollings. The next round of questions will be led by Senator Metzenbaum. Senator Metzenbaum?

Senator METZENBAUM. Mr. Fiers as I've sat here and listened to you I said to myself, I think this is an honest man. I think this is the one who's been indicted. I think you've been indicted because Mr. Walsh understandably wants to go up the line. But I think that as I hear your testimony, somehow I get the feeling that as of this point you're the fall guy. You've taken the rap. And I don't know how much further Mr. Walsh can go on the basis of your testimony—I guess he has already indicted Mr. George. But I do appreciate your candor.

Conceding that in the world of Iran-Contra—did you want to say something?

Mr. ARKIN. Senator there was no indictment. That's been said before. That's a misstatement, most respectfully. There was a consensual or a consented to information for two minor misdemeanors. An indictment has to do generally with felonies. Nothing like that was done here.

Senator METZENBAUM. I appreciate the correction. I didn't mean in any way to reflect negatively upon the witness. I thought that was the fact, and I appreciate your correcting me.

Let's concede that in the world of Iran-Contra, in the old world scheme of things, Robert Gates was probably a minor player. He came late to the party in the chain of command and was only pro-

moted to Deputy Director in April of 1986, long after the conversation you describe with North and Dewey Clarridge and Director Casey which led you to have the Epiphany where you realized you would be a buffer for knowledge about the illegal resupply activity.

My question is, once he was there, can you relate or describe any actions or comments he made that led you to believe that he didn't know about it or was against it?

Mr. FIERS. I think in response to questions that Senator Boren has raised, I addressed those, but let me reiterate them and build I think as a foundation on the observations of Senator Hollings.

There was in my mind an unshakable belief to this day that a broad array of people had an understanding of what was happening. Not the diversion, not the sales of weapons to Iran, but that a private benefactor support network for the Democratic Resistance or the Contras in Nicaragua had been established and was being quarterbacked by Ollie North.

I think in my own mind, and this is speculation, that Bob Gates was in that broad universe. And I don't think that necessarily is pejorative. Because there were a lot of people in that universe. As I said I think to the Tower Board, members, folks in that universe started at Capitol Hill and went all the way to Langley and beyond and as Senator Hollings pointed out they may have gone sort of out the Baltimore-Washington Parkway as well.

But within that, I have serious reason to doubt that Bob Gates had extensive detail. He was late to the game. It was not something that was talked about openly. At that point it was more understanding between people and I think he got glimpses and snatches of insights into it, enough so that he knew that it was a problem. Someplace—there were shoals out there the Agency had to stay away from and to my, as best I understand it, that was his intent. That would be the way I would characterize his operation or posture as he phased into the role of DDCI.

Senator METZENBAUM. Was it his intent to stay away from the facts, not to know the facts? Is that what you are saying?

Mr. FIERS. Stay away from the problems. To stay away from shoals that were there. As to the facts I don't know what his was or wasn't. I know mine was not to put dangerous facts, facts that burdened him in his head.

Senator METZENBAUM. I think you indicated to the staff, as I read the notes from the meeting, that it was your conclusion that Robert Gates was aware of the nature and depth of Oliver North's secret resupply efforts on behalf of the U.S. Government. And you met with Gates at least ten times in your capacity as Chief of the Latin American Task Force, between August and the end of November, 1986.

I think I'm characterizing your testimony correctly. If I'm not, I'll be glad to read to you what the minutes of those meetings with you were, as relayed to those of us who are on this Committee by the staff.

Mr. FIERS. I've read those minutes myself, Senator Metzenbaum, and my characterization in those—in that session I think is essentially accurate but it's subjective. I felt at the time, that as with many other people, Bob Gates understood the universe, understood the structure, understood that there was a support operation being

run out of the White House. That Ollie North was the quarterback. I don't think he had great detail. I have no reason to think he had great detail but I do think that there was a baseline knowledge there.

Senator METZENBAUM. Was it knowledge that an operation was being run out of the White House? That it was contrary to the laws of this country? And was it the case that he knew some things about it but he was not intimately aware of all the details?

Mr. FIERS. Let me respond to the first point first. I don't know that anyone knew categorically that for the White House to do what it did was contrary to the law of the land. We knew for the CIA to be involved in it was contrary to the law of the land. But personally I asked Ollie North, I said Ollie, is what you're doing legal? Have you got a legal opinion? And he assured me on two occasions that he did and that it was legal.

It's subject to interpretation and debate, that's another thing we could debate into infinity. I'm not certain that Bob Gates had enough knowledge to conclude that it was illegal. I can't speculate on it one way or another. But I think we all knew that if the Agency was involved, as Bob said in his testimony here, it would push us behind lines of the Boland Amendment that we wanted to go. And I think he knew that and when I made reference to the shoals, those were the shoals he wanted to keep us off of.

Senator METZENBAUM. He wouldn't have to be a great lawyer to know that, if there were such an operation being conducted and that the White House was involved in it or other people in the Administration, whether the White House or not, you wouldn't have to be a great lawyer to know that was illegal under the Boland Amendment, would you?

Mr. FIERS. I really would rather not speculate on that. And I'd like to add that I really don't know that—with definition what was in Bob Gates' mind and how he would address these kinds of questions. Not being a lawyer and having—I just would rather not speculate on those questions.

Senator METZENBAUM. Did you ever attend any meetings of the Senior Inter-agency Group which oversaw the activities of the Restricted Interagency Group which I think is known as RIG, which met after April 1986 dealing with aid to the Contras?

Mr. FIERS. Yes.

Senator METZENBAUM. We understand Mr. Gates was present at those Senior Inter-agency Group meetings. During those discussions, what was your view as to Gates' awareness of the activities of the North re-supply operation? I understand that group was aware of it.

Mr. FIERS. With all due respect, I think your characterization is not accurate.

Senator METZENBAUM. I don't mean to be inaccurate, so please correct me.

Mr. FIERS. The SIG was a subcabinet—or a sub-subcabinet meeting or group. It was chaired by State Department and it had Dr. Ikke on it. Clair George was the Agency representative, Rich Armitage. Mr. Armacost—Ambassador Armacost was in the Chair.

Senator METZENBAUM. Was Abrams a member?

Mr. FIERs. Abrams. One notch higher than Abrams. And at the NSC level—I forget who the NSC member was, I think it was the country director for Latin America. But at the SIG Elliot Abrams, myself, Oliver North and others would attend and be full participants.

The group I recall Bob Gates being a part of was the National Security Policy Group which was sub-cabinet level, chaired by the Deputy National Security Adviser. And I attended some of those meetings as well. Some I didn't attend. But the SIG meetings that I attended and to which I made reference to in answering your questions, I don't recall Bob Gates having attended.

Senator METZENBAUM. You say you have no recollection of his being there.

Mr. FIERs. I don't think he attended them. My recollection is that he did not attend them.

Senator Metzenbaum. You've admitted to misrepresenting to Senate Committees and the House Intelligence Committee your knowledge of the re-supply mission and your activity in support of it.

I think you indicated you felt you were acting in response to your superior's instructions when you lied to the Congressional Committees. I know it was said that one of those superiors who so instructed you was Mr. Clair George, formerly Deputy Director of Operations.

What was it that Mr. George told you, that made you think he was acting under the directions of his agency?

Mr. FIERs. Let me first say that my plea and my acknowledgment is to withholding knowledge to the Committees, I have objected and avoided the use of the term "lie."

Senator METZENBAUM. I'm sorry.

Mr. FIERs. My plea and acknowledgment is to withholding pertinent information as opposed to lying and its an important distinction that I'd like to make for the record. But let me just go on to respond to your question.

Senator METZENBAUM. I accept the correction, if that be the fact; I don't know it that specifically. If you tell me it is, I accept it.

Mr. ARKIN. It is.

Senator METZENBAUM. I'm not quarreling with you and I don't want to debate it.

Mr. FIERs. I understand but I have a future and that's an important distinction for me.

Clair and I had a direct discussion. I wrote a draft that included what I call the story of the evolution of the humanitarian assistance operations into the private benefactors. What happened is very clear to me. It was clear in 1986. It was clear by those meetings in February when I mentioned I went over the line and it was as I encroached on that line that I saw the true picture. I pierced the veil as it were and really understood what was happening.

Put simply, Ollie North piggybacked on the humanitarian assistance program to set up his re-supply network. After a series of events took place, a Central American government said you can't use our territory for direct flights. So we set up a trans-shipment point. A circuitous way to go through a third country and make the legally authorized humanitarian assistance flights appear as if



they were coming from someplace they weren't. We, being the inter-agency group that was run by the State Department, all authorized.

In the process of setting up that trans-shipment point, Ollie North piggybacked on and captured the momentum of that program. He used the same people, the same airplanes, the same site for the private benefactors operation. At a point in time in late February and March the problem was resolved. We could resume—direct shipments could be resumed, but the private benefactors just stayed on and the same people who were operating as the Nicaraguan Humanitarian Assistance became the private benefactors.

It was that evolution that I told Clair George we had to put on the record when the Hasenfus flight went down. I said we have to tell that story because that will put—that tells what we know, it puts on record what's happened and it will get us through the narrows that are ahead, Clair. And Clair said to me, and it was drafted and the language was there, I dictated it, Clair said no. I don't want to do that. That will put the spotlight on, he said either the White House, the Administration, or Ollie, I can't be sure. I said but Clair, it's going to come out. And he said no Alan, I don't want to do that. And I said okay. And he crafted how it would be done. And I went back down and I re-wrote the statement—I didn't re-write it myself, I dictated the outline and it was re-written and re-crafted so that that essence was taken out of it.

Another piece was taken out that said that there was a possibility, indeed a probability that some of the legally authorized communication equipment that we had provided might have found its way onto the flight. And I think my recollection that some information, vectors, flight vectors under the rubric of advice and guidance on how to conduct logistics operations might have found their way there, all of which was, depending on whose interpretation you took, legal. The latter point.

And he struck that as well. So that the statement that would have been more complete but not fully complete, and would have gotten in my view, the Agency through the problem, was by Clair George's instruction, deleted.

I don't know whether he was acting on instructions from higher up. I never talked with anybody else about it.

Senator METZENBAUM. Higher would have been who?

Mr. FIERS. Higher would have been either Gates or Casey. Much more likely Casey than Bob Gates. I have no way of knowing that at all. I didn't ask.

Senator METZENBAUM. Why do you say much more likely Gates?

Mr. FIERS. Much more likely Casey. Relationships between Clair and Gates were not close. They were strained at best and in a situation like that—and I'll give you a vignette that is very enlightening in a moment—in a situation such as that my view is that Clair George would have been much more likely to go to Bill Casey. The reason I say that is exactly the same subject matter. As I mentioned to the Committee earlier, there was a disagreement as to who the primary witness would be at the Senate Foreign Affairs Committee hearing, Bob Gates or Clair George. I believed it should be Clair George, I believed it should be Clair George for reasons he was more familiar with the subject matter we shouldn't emphasize.

It would highlight the incident by putting forward a more senior witness, and would limit our future flexibility in responding. And so I was arguing for Clair.

At our 1430 meeting that is on the record, that has been part of my reconstructed memory, one of the reasons Clair and I, not Bob Gates, went to meet with Casey was to nail that point down. Bob Gates was cut out of the decision. It was Clair, Alan Fiers and Bill Casey at the 1430 meeting to the best of my recollection. I want to recognize my recollection on this point is one, reconstructed; and two, not as crisp and clear as it is in other cases. But it is there. There we quote to use agency language, we put in the fix as to what the decision would be at the 1830 meeting, Mr. Chairman, that you made reference to, that was ultimately decided, so the 1830 meeting was pro forma. And that is why I say in my view that if it were discussed higher up it would be much more likely be Bill, Mr. Casey, than it would have been Bob Gates. But I have no way of speaking definitively on either point and making a judgment as to whether it was raised or not raised with any person. But I know beyond a doubt that the discussion that I described took place with Clair George and that it set for me the direction and framework that I have lived with since the 9th of October 1986.

Senator METZENBAUM. I think the Chairman has indicated that my time is up.

Chairman BOREN. Do you have additional questions you want to ask?

Senator CRANSTON. I think I can pass.

Chairman BOREN. Let me ask. On the last question you started to say to Senator Metzenbaum, and I didn't hear if you completed it or not, you said wanted to give an illustration of the relationship—

Mr. FIERS. Yeah, I did and the illustration was relative to who the senior witness would be.

Chairman BOREN. I see.

Mr. FIERS. And the fact is that in my recollection and I categorized sort of the state of that recollection is that Clair George, Bill Casey and I had a meeting at 1430 where we decided that it would be Clair George, and Bob Gates didn't participate in that decision. We then had another meeting at 6:30 that day, more formal, where it was formalized, but really I think, my recollection is the decision was taken at an earlier meeting in which Bob Gates did not participate in. That gives you some idea of the universe Bob Gates was in as well as the universe I was in.

Chairman BOREN. Senator Cranston.

Senator CRANSTON. Thank you very much.

In your opening remarks, you described very dramatically the long, long struggle between the free world and the Communist world and the atmosphere in the days when the events we are exploring occurred. The West reeling, the Marxists rolling, aggressing, intervening, arming guerrillas in many, many lands. You described those bitter, dangerous days as characterized by an atmosphere of no holds-barred.

What I want to ask you is this. Did that atmosphere sort of lead for those on the firing line as you and others in the agency were, to a no-holds barred, anything goes approach to everybody one dealt



with—enemy, friends, colleagues, the public, the press, the Congress—justified by the conviction in one's mind that we were in a life and death struggle for survival with ruthless enemies and that nothing less would suffice?

Mr. FIERS. In my opening statement, I also made reference to the men and women of CIA being some of the finest people I know of, unquestionable patriotism and integrity. In the years that I have served at the Agency, I have never known that—I have never known people to have subscribed to the philosophy that the ends justifies the means. It is unfortunate however—unfortunately the case particularly as it relates to me and in the atmosphere I described, I think we weakened at the—I weakened at the knees a little bit.

Senator CRANSTON. You what?

Mr. FIERS. I weakened at the knees a little bit. I moved towards the concept in my own mind that we cannot, I cannot, I will not be associated with another defeat. It is almost, it was almost a paranoia, I could not lose. And that is what led me to make the decisions that I referred to—have referred to other members of this panel. Is it justified, no. And that is what—that is one of the reasons that I accepted my responsibility when I entered my plea to His Honor Aubrey Robinson.

And I hope as we look to the future, people are never caught in dilemma of having to make those kinds of decisions again.

And I sincerely believe, after having seen and watched very closely these hearings the past two days, that that is in fact is the case. That problem is behind us as a nation as the Cold War is behind us as a nation.

And I think that that can be nothing but positive.

Senator CRANSTON. I appreciate that response. You obviously faced some very difficult decisions that you had to wrestle with internally. You did face, as you put it, a great dilemma. And I think it is understandable that you were torn in many different directions and that others have faced that same situation.

You alluded to your role as a buffer. Will you please describe that role a little more as you assumed and saw it, and along with that would you give us some insights regarding how compartmentalization and the matter of limited loops work. When it is somehow decided that only a few certain individuals will be in the know about some particular matter, does that cross bureaucratic lines and charts? In particular, was it that way with Casey? So that in terms of lines of authority people would be out of the loop and boxed out of the compartment?

Mr. FIERS. Let me take the first part of the question first and then come—I may have to ask for some elaboration on the second part.

When I came to the Task Force, it was traumatized. As I think someone pointed out—one of the members, almost the day after I came, the murder manual flap hit. Now you all may not recall that, let me reacquaint you with it. That was a training manual that was published before I arrived at the Task Force which drew on some of the doctrines, highly controversial doctrines, that were developed in Vietnam and it called for armed propaganda, which was a euphemism for guerrillas going into a village and controlling

the village through a series of means, and it made reference to statements that implied, if not outright stated, that under certain circumstances assassination of Communist cadre would be acceptable. That was an unacceptable manual. It was inadvertently done. It was the result of poor editing, but it was not malicious and it did not represent an endorsement that we were telling the Resistance Forces to go out and assassinate people.

It caused great trauma. It was my first appearance before this Committee, and I remember it well, because I likened myself later in many conversations to a cat being thrown in a cloths dryer. I just went around and got beat up 16 different ways and didn't understand the politics of it.

I also remember very well being called to Casey's office and him telling me this is terrible. This is an election issue. The Wirthlin Polls have indicated that President Reagan's popular—favorable vote numbers have dropped 6 points and the only thing the White House can attribute it to is the manual. We have got to do something about that. It was political, it was crucial. I was sent on an airplane to go meet with the Chairman of this Committee to explain to him, to see if something couldn't be done. We didn't meet with him because in his political wisdom, he didn't want to. Probably the right thing to do.

So as I came out of there, as I saw the reprimands, as I saw the anguish that the people in the task force were going through, I did two things. One, I made the decision to be a buffer; and two, I called them together and I read to them—I had read to them because I sometimes skip over words when I read out loud—General MacArthur's speech, Duty, Honor, Country. And I told them that tonight in Moscow and this afternoon in Havana, your counterparts are working harder or as hard as you are to beat you and we can't let that happen. We are going to win this and don't worry about yourselves, I'll take the responsibility for what happens, or words to that effect.

And what I meant by that was directly relating to, one, the politics; and two, as I understood it then and as I saw it unfolding, the Ollie North endeavor, operation.

And what—in fact it meant I tried to keep them out of, one, the operational role where they would brush arms with it; and two, out of readings, out of conversations where they would gain knowledge of it. On many occasions when Ollie would call me, I would stop and say to the people in my office, leave. I don't want you in this conversation. So it was only me hearing the conversations.

And I to date, with one exception, I think that effort was largely successful. I don't know that any member of the task force who worked below me is in jeopardy by, as a result of actions he took—in jeopardy from Judge Walsh's prosecutions because of action he took. There was one exception, and that's another issue for another time to that. But that is what I meant by buffer.

Going up the line, I didn't put into the minds of Clair and Bob Gates, or the Director, or John McMahon, with specificity, all that I knew, all the information that I picked up in what became a very close relationship with Ollie North. I did talk to them about making sure—about keeping ourselves out of it. Our efforts, the strenuous efforts I resolved to not cross the line. And I tried to po-

sition myself to absorb the responsibilities that might accrue to me and I hope I have been successful. Because I truly, truly don't want anyone that worked for me or the around this to go through what I have gone through and to suffer the trauma. Because, one, the Agency needs them to be unencumbered, and, two, for their personal sake, I don't want that to happen.

Senator CRANSTON. I thank you for that response. And one more question. Do you know if the understanding, on whatever basis that understanding existed, that information would be withheld from Congress extended to the State Department's representative on the Restricted Interagency Group on Central America?

Mr. FIERS. Not as it relates—I know of no such decision having been taken. And certainly there was no discussion or coordination of the actions with regard to the CIA's statement and deletion of certain facts that I mentioned.

Senator CRANSTON. Thank you. I'd like to ask you more but my time is up.

Senator MURKOWSKI. Thank you, Senator Cranston. Senator Danforth?

Senator DANFORTH. Mr. Fiers, I'd like to ask you about personal relationships within the Agency and the significance of personal relationships within the Agency.

You've said that Mr. Casey did not adhere to organizational charts and that he would call you directly. And you said that your relationship with him was, I think your words were, both personal and professional. And you told the Committee staff that it was similar to the father-son relationship.

Mr. FIERS. It had that aspect to it. Yes.

Senator DANFORTH. Do you know what kind of relationship Mr. Casey had with Bob Gates? Was it a similar relationship? Or somewhat different?

Mr. FIERS. I don't know the personal side of it. I know the professional side of it. He had high regard for Bob Gates' abilities. He thought he was the best manager for the Agency.

He and I had, again, a discussion at one point that is improbable for a Director to have with a person at my rank and my position at the Agency. We were talking about management and he was moving people around. He said I'm going to move Clair George to be the DDO. And I said, why are you doing that or something like that. And his comment was, management ability in the DO is very thin. He's the best of the lot.

And he saw Bob Gates as being clearly superior in his management abilities than the available managers elsewhere in the Agency. And that's—I know he had high, high, high professional regard for Bob Gates in terms of his intelligence, analytical capabilities and I think his managerial capabilities as well. But I can't speculate as to the personal nature of it.

But, comments and discussions Bob Gates and I had and various snippets along the way would have led me to believe that it was fairly close personally as well.

Senator DANFORTH. Is there a difference between being, to use your words to the Committee staff, chummy, is there a difference as far as the dealings within the CIA as to having a chummy relationship and a more sort of businesslike relationship?

Mr. FIERS. Yes. The CIA is a family. And the DO is particularly a family. And I can't speak with the same degree of clarity the specificity and knowledge about the DI. But I can tell you what the DO is like—it's broken down into clans. The Middle East clan. Latin American clan. The Far East Clan. The European-Soviet clan. You grow up together. You go through training together. You share experiences together. You're family all together. And you became very, very close.

And with the people that are in your clan, it's a very close relationship. It's a very tight bond. And it doesn't transcend outside to the same degree. It's a friendship. It's professional. But the bonds of mutual experience aren't there outside the clan, outside the group that you grew up in. And that very much has an impact how you relate one with the other in a professional context because of the person is from your particular group or line you are going to know them.

I'll give you an example. I know Clair George, first from 1973 and I have sort of been close to him ever since. It was a very personal relationship with Clair. What has happened pains me more than I can explain.

It was not the same personal relationship between Bob Gates and me because we grew up in different arenas. We didn't have the bonds of experience that transcended and welded people together.

That's real and that's palpable.

Senator DANFORTH. You—in December of 1986 or January of 1987, you were at a meeting between Clair George and Mr. Fernandez in Clair George's office. And Bob Gates walked into that meeting?

Mr. FIERS. Yes. Mr. Fernandez wasn't at that meeting.

I can't be specific as to the dates, but it was after it was very clear that Joe Fernandez was going to have serious legal problems. And—it was late in the evening, and I was talking with Clair George and I said to Clair, I said, Joe has a serious problem. Joe had better get a lawyer and he better exert his privilege. And I didn't say it quite that eloquently. I used colloquial, he better take the Fifth Amendment.

And Bob Gates walked in just at that point in time. That makes three in the conversation. And Clair turned to Bob and said, Alan says that Joe Fernandez had better get a lawyer and take the Fifth Amendment. And Bob looked and said, well, if he does that he is fired. And it was a very sobering comment for me. I listened to that and I reflected as to my situation and it was meaningful. And I didn't say wait a minute guys, this is meaningful to me too but it was meaningful. It impacted. It set a certain sort of posture in my head and I said, well, I don't know about that, but Joe certainly had better get a lawyer and he certainly better take the Fifth.

And then the conversation broke up and Bob went away and Clair, I think—I don't know how it ended. I went on down to my lair as it were in the Task Force and we—I mentioned that to a lot of people. It set a tone.

Senator DANFORTH. What do you think the tone was? What is the importance of it?

Mr. FIERS. I think it was twofold tone.

Firstly, it meant that if you exert your privilege, if you take the Fifth Amendment, you are out of here. That you can't do that. You can't do that and contain to function as a CIA officer.

And, secondly, I interpreted it to mean that if you hire a lawyer to represent you, then it is an acknowledgment that you have some legal problem and it would be viewed in a negative fashion and might have an impact on your ability to continue to function in whatever role in your official capacity.

And it was in that latter interpretation that had a direct impact on me and every other officer in the Agency up until I think I was the first one to break ranks in August of 1987 when I sought counsel. Ten months too late, I might add.

Senator DANFORTH. Was Bob Gates viewed as something of a straight arrow within the Agency?

Mr. FIERS. Could you define straight arrow?

Senator DANFORTH. Make of the questions whatever you'd like.

Senator METZENBAUM. Like Jack Danforth.

Mr. FIERS. Bob Gates was recognized in the Agency as being an exceptionally gifted analyst and an exceptionally gifted operator within the bureaucratic structure. And one that combined those two skills he had with—had had a meteoric rise within the Agency. And any time you have those two qualities, particularly the latter, bureaucratic skills, and a meteoric rise put together, there's bound to be controversy. There is bound to be debate. And there was. And there was particular debate in the DO. There were pejoratives. There were people who cast aspersions on him. There were people who didn't like working for him. I suspect there may have been on the DO side too. But when you put together a group of very bright, very dedicated, very ambitious people, those things happen.

And so he was viewed more as a guy smart as—very smart, very capable, sort of on the make.

Senator DANFORTH. Would chummy characterize him?

Mr. FIERS. No. I don't think so. Not at least as it related to the DO.

Senator DANFORTH. Would he be viewed as more on the cold side than on the warm side?

Mr. FIERS. Aloof might be the word. Particularly, aloof. That would be my view.

My relationship with Bob Gates which was—I had a lot of contact with him, particularly about from the time from '86 until the time I left the Agency, I had a lot of contact with Bob Gates. And it got to where it was a familiar relationship but it was never chummy. There was always an aura of familiarity—always an official aura to the conversation. It never quite got to the same ambient that my relationship with Casey or with Clair George got.

It was more akin to but not quite as stern as the relationship with John McMahon. John McMahon was friendly but it was a stern sort of relationship.

Senator METZENBAUM. Mr. Fiers, would you keep your voice up please?

Mr. FIERS. Sure, I'll try to. Yes, sir. I'm sorry.

Senator MURKOWSKI. Thank you, Senator Danforth. Senator Warner?

Senator WARNER. Thank you very much, Mr. Chairman.

First may I say that I hope this hearing has provided you with a measure of satisfaction for yourself and equally important for your wife, for your parents, and your family, because those of us who have had the privilege of being in government service recognize that they bear the full brunt of all consequences. Be it favorable or unfavorable. And I hope they view this proceeding as being somewhat helpful to the burden they've carried these many years.

Mr. FIERS. Thank you very much.

Senator WARNER. The purpose of this hearing is really quite straightforward and simple. I'm fascinated with the testimony and am impressed with it. But the responsibility of the Senate is to determine did the President of the United States, in this case, George Bush, former Director of CIA, err in his judgment in selecting this man as is his right under the Constitution to be the chief of the CIA?

Do you have any knowledge of any facts which in your judgment would say that the President erred in his judgment in picking Bob Gates to be the next Director of the CIA?

Mr. FIERS. I am honored that you direct that question to me but I really think that it is not a judgment that is mine to make. I think that I can best be of more service to the country and to the panel by presenting the facts as I know them, as I understand them, setting them in the context that I understand them and then leave it to those who are in entrusted by the Constitution with that responsibility. I really don't want—

Senator WARNER. I understand that. Let me rephrase it. Do you have any facts which we have not elicited today that you might believe germane to our making that decision?

Mr. FIERS. No. None that I can recall. I have worked as hard as I can and studied as much as is possible to dredge up the facts. And I have presented them all to you to the best of my ability.

Senator WARNER. Do you have any personal view as to whether or not Bob Gates is a good choice?

Mr. FIERS. Once again, I don't think—

Senator WARNER. I will pass on to another question then. You just said that you knew him well. And you worked with him. And I felt that perhaps—

Mr. FIERS. I characterized the nature of my relationships with him. And characterized to the best of my ability how he functioned and the method which he functioned at the CIA. And I think that it's for the panel to make that decision.

Senator WARNER. Fine.

Senator NUNN. Mr. Chairman. In the interest of continuity, would the Senator from Virginia yield about one minute to me here at this point? Because there were a couple of questions Senator Danforth asked that I am left puzzled by.

Senator WARNER. So long as I get an opportunity to come back.

Senator NUNN. It can come out of my time.

Chairman BOREN. We'll take it out of Senator Nunn's time, not out of Senator Warner's time.

Senator NUNN. Yes. When Senator Danforth asked you about your experiences with Bob Gates, you related that he said to you that, who was it, Mr. Fernandez? If he took the Fifth Amendment he was out of there. He was terminated.



Mr. FIERS. If he took the Fifth, he was fired.

Senator NUNN. And you said there were two implications of that. One is that you shouldn't hire a lawyer and the second is that you shouldn't take the Fifth Amendment. Is that right?

Mr. FIERS. I put them in the other order. Yes. The two implications were that if you took the Fifth Amendment that your tenure with the Agency was in serious doubt. And second was if you got a lawyer, then your ability to continue in your official function will be called into question because it would be deemed some indication that you had a problem.

Senator NUNN. And you said that had a real effect on you?

Mr. FIERS. It did.

As a matter of fact, I discussed it several times and was dissuaded—and was encouraged not to seek counsel through the spring of 1986.

Senator NUNN. Now, perhaps you didn't mean to insinuate anything beyond what you said but it seems to me that there could be other readings to that. Did you take that to mean that you were supposed to simply be on your own and go up and hold up your hand and tell the truth or did you take it the other way. If you want to stay at this Agency, you better not only not take the Fifth and not get a lawyer, you better go up and figure out some story no matter what it is that would avoid that?

I mean, were you taking this as a signal you were supposed to tell the truth or a signal you were supposed to lie?

Mr. FIERS. It took it as a signal that we were on our own. And that if you had a problem—that, one, you had to tell the truth. And, two, if there was some problem sitting out there that that would cause for you personally, you had to figure it out yourself.

Senator NUNN. So you took it as a signal to tell the truth, not as a signal to tell a lie?

Mr. FIERS. That's right.

Senator NUNN. Okay.

Mr. FIERS. And let me tell you how I responded to that. Because that's important. Because I was in a bind. There's a box right there. I don't know how many of you are carpenters, I was once apprentice to a carpenter, and when you are laying a footer, and you get it out of square, the whole building is out of square, forever and ever unless you can correct the footer.

And my footer was laid out of square on 10 and 14 October, and I couldn't get it back in square. And so what I did from that point forward was to try as best I could to—as I likened myself, unpeel the artichoke. I answered the questions and told more and more and more of the story each time that I was asked to testify, try to avoid any false answers, but at the same time, not get terribly—terribly contradict what I said on October 10th and 14th. Until it came to the hearings before the Iran-Contra Committee and there was no way out. And then I essentially repudiated my testimony of 1986 and I think gave the Committee a fairly accurate insight into what my motivation for doing so was.

Senator NUNN. But you did not take that as any kind of Gates encouragement for you to fabricate or tell a lie?

Mr. FIERS. No.

Senator NUNN. Thank you, Mr. Chairman.

Chairman BOREN. Thank you, Senator Nunn. Senator Warner?

Senator WARNER. Thank you.

You served under Admiral Inman when he was the DDCI. Is that correct?

Mr. FIERS. Yes, yes I did.

Senator WARNER. And what opinion do you have of him as a manager?

Mr. FIERS. Let me answer by going back to his previous assignment beyond that when he was Director of NSA and I had the privilege of attending three or four meetings that he chaired. And as I took notes in those meetings, I always found it hard to capture as fast as he was speaking the full impact of his words because he was so smart.

And that carried over in the Agency. I thought he was a tremendous intellect—

Senator WARNER. Do you have confidence in his credibility?

Mr. FIERS. Yes.

Senator WARNER. John McMahon. You served under him?

Mr. FIERS. Yes.

Senator WARNER. Do you have confidence in his credibility?

Mr. FIERS. Absolutely.

Senator WARNER. I am interested in trying to establish this relationship between the operational side and the analytical side—operation referred to as DO, intelligence referred to as the DI. You said that the DO had clans within the organization. And somehow there is an opinion coming out of this that these two basic organizations, DO and DI, were highly competitive. Or is that a weak word to describe it?

Mr. FIERS. No, I think that that's a reasonable word.

Senator WARNER. There is some reason to believe that go beyond competitive. They were really struggling with each other from time to time.

Mr. FIERS. It depended on the substance, it depended on the area. But there would be times when there were significant differences of opinion between the DO and the DI.

Central America was a case in point where there was significant differences of opinion.

Senator WARNER. Well now John McMahon had come from the DO ranks. Correct?

Mr. FIERS. John McMahon came from the administrative side. No, I'm sorry. I think he initially came from the S&T, from the scientific and technical side, then was in the administrative side. Then to the DO. He was not a DO person originally.

Senator WARNER. And of course Bob Gates came from the DI?

Mr. FIERS. Yes.

Senator WARNER. And would that provide a basis for, should we say, a tension between George and Bob Gates because of the inherent competitive nature of those two organizations?

Mr. FIERS. More than that. They were competitors at least in their minds for the same job, the DDCI.

So there is some organizational competitiveness and there is a personal competitiveness that was very much at play, in my view.

Senator WARNER. I understand that in your earlier testimony you characterized—that is, you stated your knowledge of Director



Casey's high regard for Bob Gates and I gained the impression that you felt that Casey picked Gates because he was the best qualified man.

Mr. FIERS. In my view, that's beyond doubt.

Senator WARNER. Beyond any doubt whatsoever?

Mr. FIERS. Yes.

Senator WARNER. And could that have left in George's mind some residual feeling that contributed to George presumably withholding information from time to time from Bob Gates?

Mr. FIERS. I really can't speculate on that. I would add that based on my observation of relationships, that there was a closer, more unencumbered relationship between George and Casey than there was between George and Bob Gates.

Senator WARNER. Thank you, Mr. Chairman.

Senator CRANSTON. Would the Senator from Virginia yield?

Senator WARNER. I have concluded.

Senator CRANSTON. The Senator asked the witness' opinion of two of the witnesses who will be with us this afternoon. I'd like to ask, if I may, his opinion and appraisal of Mr. Thomas Polgar, who will appear this afternoon.

Mr. FIERS. I've never had the pleasure of working with Mr. Polgar. I only know him—I've only met him after the crisis or the floodgates broke. And then in his capacity as a chief investigator for the Senate Investigating Committee which doesn't allow one to establish a personal relationship.

[General laughter.]

Mr. FIERS. And, again, just before these hearings, I had an opportunity to say hello to him. I don't know Mr. Polgar well enough to make an observation one way or the other.

Chairman BOREN. Let me say for the benefit of the Members. I have five other Senators down to ask questions: Senator Rudman, followed by Senator Deconcini, Senator Gorton, Senator Bradley and Senator Nunn.

No Senators have indicated to me they wish to ask additional questions. If all of those Senators took ten minutes each, it would take us to close to approximately one o'clock. It would have the benefit of not interrupting the continuity of this testimony if we could press ahead.

Let me ask the witness, are you prepared to let us go ahead and complete. You've been on the witness stand for a long period of time. Would you like for us to go ahead at this point or would you like us to have a five minute recess?

Mr. FIERS. No. I'm fine. Let's just proceed.

Chairman BOREN. All right.

Senator RUDMAN. Thank you, Mr. Chairman. and I don't expect I'll use the full ten minutes.

Senator RUDMAN. I just want to comment that anyone sitting this morning and having listened to your testimony—and having known you as I have for some time—should be struck by something that should not be lost on anyone. That is, we talk about these events with titles and, again, as I said yesterday, in almost a sterile atmosphere. The human cost of an Administration taking a public policy and adopting an opposite covert policy is sitting before us today. I think it is regrettable that you made the choice you made

before the Committee, but you made the choice for the reasons that you have stated and you have paid a price.

And yet, part of your background can never be known because of the nature of your work. I know that background. And I know the great service you did to this country. And I regret that you have come up upon the rocks of the justice system that you have. But I appreciate your candid testimony today.

Mr. FIERS. Thank you very much.

Senator RUDMAN. Mr. Fiers, let me just ask you two brief questions because I think the Chairman really asked the key questions. This, after all, is a hearing about the confirmation of Robert Gates and I think that we would love to listen to some of your responses to questions we are curious about, but we don't have the time for that. So I will be brief.

Question one. Mr. Gates came from the Directorate of Intelligence and moved to be the Deputy Director of Central Intelligence during your time at the Agency. Describe to the Committee his competence, his method of operation, his very being as he discharged that important responsibility.

Mr. FIERS. That's a very difficult question, Senator Rudman. I'll do the best I can with it.

I first came into close contact with Bob Gates when he was still the DDI. At that point in time, as I think you are only too familiar, the DO and the DI were having some serious differences of opinion about analysis that related to Central America. I, because of the peculiarities of the situation that we have discussed, was doing most of the policy briefing with policymakers, Members of Congress, and was—what I was briefing was at some variance with what the DI was writing.

The Director told me to meet with Bob Gates and work to reconcile the differences. And I began those meetings. And I would characterize Bob Gates dealings with that problem as very efficient and very businesslike. He assigned a senior DI officer to work with me. We began to do briefings in tandem. I think many of the Members have had those briefings that we started and we reconciled the problems.

And without a lot of acrimony, without heavy handedness, Bob dealt with that problem. He dealt with it efficiently and fairly. And adjudicated it in a way that I thought made both sides comfortable.

When he was DDCI, I dealt with him on a number of interagency issues, some of which related to establishing the relationship between the Agency, the Task Force and DOD concerning execution of the Central American program. He handled those equally efficiently. I felt that he supported me. I felt that he listened to me. I felt that he provided clear guidance and had a steady hand in solving the problems.

On the basis of those experiences, I would say that he has a keen intellect to understand and analyze problems. He is a dispassionate manager who understands the rhythm and the flows of what has to happen and within those—rhythm and flows of situations with which he is dealing and within those situations makes responsible decisions and implements them effectively.

Senator RUDMAN. Let me follow up with just one question. This may be difficult for you to answer but then it may not be, because

of the many experiences you had with him over the years in several roles.

We all know he is bright. We all know he is very analytical and thorough. Is he intellectually tough?

Mr. FIERS. That's a—

Senator RUDMAN. If you know.

Mr. FIERS. I don't know the answer to—I don't honestly know the answer to that question. And I must be in continuation of being absolutely honest and frank to the Committee, that's a question in my mind too.

Senator RUDMAN. Then let me go from the general to the specific to try to get the same question answered in a narrow way.

Have there been circumstances in which you have been involved with Mr. Gates that he was involved because he was either the DI or the Deputy Director, in which he was faced with a decision that was difficult, onerous, maybe not pleasant, but he made it and carried it through?

Mr. FIERS. Let me respond this way. I never felt hung out by Bob Gates.

Senator RUDMAN. You never felt what?

Mr. FIERS. I never felt hung out. I never felt that he wasn't backing me. And we had some tough decisions and some tough inter-agency debates in tough times. Times that I describe with an Iran-Contra superimposed on it with all the burdens that accrued to all of us from that.

And I never saw him take actions that I felt that he was abandoning ship, hanging me out, not supporting me, and not pursuing a matter forthrightly.

Senator RUDMAN. All right. Finally, Mr. Fiers, just for the record, you know we talk about Iran-Contra, we telescope them together and we start talking about illegalities and so forth. And for the record, the Iran initiative—dumb as it might have been—was the subject of a Finding and not released to the Congress for ten and a half months. Nonetheless, it was a legal undertaking of the United States government. Am I correct?

Mr. FIERS. That's correct.

Senator RUDMAN. And it certainly was proper for a variety of people in State, in Defense, at CIA, pursuant to that Finding of a legal undertaking of the Government, to in fact be aware, knowledgeable, and in a position of implementing various portions of that initiative. Am I correct?

Mr. FIERS. That's correct.

Senator RUDMAN. Now the Contra part of it, there are two questions there. One, which Senator Metzenbaum made an assumption today—about which he may be right, but it has never been adjudicated by a court—and that was whether or not the NSC operation was in fact illegal under the Boland Amendment. Am I correct?

Mr. FIERS. That's absolutely correct. And that is something that never has been decided.

Senator RUDMAN. It has never been decided by a court. As a matter of fact, Colonel North did have a legal opinion.

Mr. FIERS. That's exactly right. And as you recall, I said I asked him twice, is what you are doing legal, Ollie, and he said, yes, I have an opinion.

Senator RUDMAN. So even now there is still a question as to the illegality. But I guess there's no question that the one sub-heading under the Contra part of Iran-Contra that clearly was illegal was the diversion of United States funds.

Mr. FIERS. I'll accept that. I'm not a lawyer. You are. I'll accept that characterization.

Senator RUDMAN. I think that's probably been established. And that was the Holy Grail that everybody was very careful to protect. And you had no evidence whatsoever, according to your deposition, according to your testimony here, that Bob Gates knew anything about that, until the time that he says that he knew something about it?

Mr. FIERS. What I know about Bob Gates' knowledge is what I have read, what I have heard. Up to the point in time that it was announced, November 25th, 1986, I had no information that Bob Gates knew about that.

Senator RUDMAN. And that, of course, is key in your testimony and I thank you for your answers.

Mr. FIERS. Thank you.

Chairman BOREN. Any other questions, Senator Rudman?

We will now turn to Senator DeConcini.

Senator DECONCINI. Mr. Chairman, thank you.

Mr. Fiers, I join with Senator Rudman after listening to you and knowing a little bit about your background, you have done some service to this country that is admirable. And I appreciate that and I appreciate your candid responses here.

There are a couple of questions I'd like to go into. One is really not primarily the subject by any means of this hearing, but of interest to me because of statements that have been made here back and forth. And you provided the Committee some great insight on Bob Gates. His role and his knowledge in the Iran-Contra scandal.

At least from what you've told the Committee, I believe Mr. Gates knew very little about what was going on. Is that a fair summary.

Mr. FIERS. Once again, I really can't make conclusions. I've stated the facts, understanding, my impressions. I even speculated about it to the best of my ability. And, you know, I think you will have to make the conclusion.

Senator DECONCINI. Well, no, I'd like to get—I'd like to have you refine if you can, what is a little. From a 1 to 10. Did he know 1? Did he know anything?

I gather he knew something in your judgment.

Mr. FIERS. In my judgment, and to the best of my recollection, he knew something. He had a baseline of knowledge.

Senator DECONCINI. Okay.

Mr. FIERS. If you could define some points along 1 to 10 I might hazard a guess. If you could define what 3 means and 5, 7 and 9.

For example, let me help you with that. I put myself at, in October of 1986, at maybe 6.5 or 7.

Senator DECONCINI. Okay. And you knew quite a bit in my judgment about it.

And my only point is to try to establish did Mr. Gates know anything about it. And you—

Mr. FIERS. The answer is he knew something about it.

Senator DECONCINI. I think that's clear that he knew something about it in your judgment.

Mr. FIERS. Yes. In my judgment.

Senator DECONCINI. The quantity and how much you don't know?

Mr. FIERS. I couldn't quantify as—

Senator DECONCINI. As of October 1986. Because you don't know what was his in mind and you don't know what other people told him.

Mr. FIERS. That's right. I can't discuss—quantify that.

For example, I didn't know the Furmark or any of these other arrangements. Those are all things I did not have.

Senator DECONCINI. Yes, and I appreciate that. I'm just trying to get it clear in my mind what you are really telling us here.

Now, further you went on at the meeting with Mr. Casey when in the presence of yourself, Clair George and the Latin American head, Casey asked Oliver North if he was running any operation in Central America. And Lieutenant Colonel North said no. And outside the room you said George told you that this was a charade. That's what you said?

Mr. FIERS. That is essentially correct. He said are you operating in Central America?

Senator DECONCINI. And he said no and later George said that was a charade. You took that to mean that in fact Oliver North was, from George's position, was running an operation?

Mr. FIERS. Yes. And I knew for a fact, and I had enough knowledge in my head at that point in time to know that Ollie was operating.

Senator DECONCINI. So you knew yourself and then George confirmed it by making that statement? Now the statement made to you by Mr. Casey, I guess in late November or December, that Ollie North ran one hell of an operation, now in your mind did that include the Iran-Contra operation?

Mr. FIERS. It was after it was all on the table. This was after bombshell Tuesday.

Senator DECONCINI. Yes. Okay.

Mr. FIERS. Bombshell Tuesday being when Meese let off his bomb.

Senator DECONCINI. Well then, my question is—the answer to my question is yes.

Mr. FIERS. Yes.

Senator DECONCINI. Then next is that, Mr.—I believe, Mr. Gates—you said, I believe this is correct, and correct me—that Mr. Gates was deceived by Mr. Casey and Mr. North.

Mr. FIERS. I don't think I used that word. No.

Senator DECONCINI. Okay, then strike that then.

Mr. FIERS. I don't think so.

Senator DECONCINI. Did you say that Mr. Casey, in your judgment or your belief had intimate knowledge of the events surrounding the Iran-Contra affair?

Mr. FIERS. I didn't say that either. I said I can't really judge how much knowledge he did or didn't have because he was an exceptionally gifted and complex man and I just can't judge what was in his head and it is something—

Senator DECONCINI. Going to a scale of 1 to 10, do you think he knew 6.5 as you did? What's your opinion?

Mr. FIERS. I've heard Ollie North's testimony. I've read the entire record and I just can't arrive at a definitive opinion at that point.

Senator DECONCINI. OK. That's fair enough.

Mr. FIERS. I just really can't. I'm mystified by it. It's an unknown to me.

Senator DECONCINI. It's an unknown but actually if you can define that Gates knew a little bit, that you said.

Senator FIERS. That I'm comfortable with saying.

Senator DECONCINI. Can you define that Mr. Casey knew a little bit more than Mr. Gates.

Mr. FIERS. Mr. Casey knew things—he acknowledged that he knew things to me in a conversation where he said how much do you know and I said some, not a lot. He sort of said good, so do I. Let's keep it that way. But we never got down to details and specifics. If I had to hazard a guess and you push me right to the wall, and you've essentially done it, so I'll hazard a guess.

Senator DECONCINI. Thank you, you're saving me a lot of time, Mr. Fiers. I just want to know what you think. It may be irrelevant.

Mr. FIERS. I will consider myself pushed to the wall, so I will hazard a guess.

Senator DECONCINI. Thank you, sir. I don't mean to do that—

Mr. FIERS. I think Bill Casey had knowledge in his head concerning the events that we're discussing. I don't know the full extent of that knowledge.

Senator DECONCINI. I think that's important for me now. When you went into this and from—if it were Casey or not Casey, is it likely that something this covert, this sensitive, that that the Director would keep the Deputy Director informed? Just in your opinion of how the operation works? I want you to speculate based on the long experience that you have had.

Mr. FIERS. He was such a complex, compartmentalized person, so unique, it is quite possible.

Senator DECONCINI. That he would not tell the Deputy Director?

Mr. FIERS. Yes.

Senator DECONCINI. Now what about non-complex, non-DI's?

Mr. FIERS. Let's differentiate between sanctioned by the Congress and unsanctioned.

Senator DECONCINI. Okay, okay.

Mr. FIERS. Sanctioned, he wouldn't keep it away from the Deputy Director. If it were extracurricular, non-sanctioned, if it were something as sensitive as the events we're discussing today, I can conceive of it.

Senator DECONCINI. You can conceive of it. How about the many directors you have served under?

Senator CHAFEE. The answer was, I can conceive of it.

Mr. FIERS. Can conceive of it. C-A-N. I can.

Chairman BOREN. Of not telling the Deputy Director.

Mr. FIERS. Yes, I can conceive of him keeping that information away from the Deputy Director. Because it was not a CIA endeavor. I can conceive of that.



Senator DECONCINI. You can?

Mr. FIERS. I can, yes. I answer in the affirmative.

Senator DECONCINI. Thank you. And what about all the other Directors that maybe aren't as complex as Mr. Casey is in your mind? Can you speculate?

Mr. FIERS. No. I was not close enough of those. The only Director that I really had a relationship with, other than Casey, was Turner.

Senator DECONCINI. You don't know if Casey confided in Mr. Gates or not.

Mr. FIERS. No.

Senator DECONCINI. Okay. Now another aspect of your testimony that's intriguing to me is that you stated if you got a lawyer you were in—I don't want to say trouble, but you were encouraged not to.

Mr. FIERS. Yes.

Senator DECONCINI. If you took the fifth, that's a no-no.

Mr. FIERS. Yes.

Senator DECONCINI. So you were on your own. Quote, "own."

Mr. FIERS. I felt that, yes.

Senator DECONCINI. Let me ask you this. Does that mean that you went out and testified wherever you were subpoenaed to go testify under oath. If you screwed up and the Agency took a fall on it you were in deep trouble back at the Agency. If you were able to get by it without screwing up, however you covered it, or not covered it, or answered it, then you were regarded safe back at the Agency. Is that a fair characterization or unfair characterization?

Mr. FIERS. The characterization is we were on our own.

Senator DECONCINI. Excuse me?

Mr. FIERS. We were on our own. There's no doubt about that. Secondly, if there were errors along the way you stood responsible, or it you tripped up I think was your word, the liabilities for that accrued to you. And that was made very clear by—in multiple discussions.

Senator DECONCINI. So really there was an unwritten rule called "on your own" that if something bad happened to the Agency as a result of "on your own" you were in big trouble.

Mr. FIERS. And if it was as a result of activities which were not sanctioned. If it was a result of some—let me put it another way.

Senator DECONCINI. Swell, super, yes, I understand. But if it was also your withholding information—

Mr. FIERS. Yes.

Senator DECONCINI [continuing]. Or fabricating information.

Mr. FIERS. Yes.

Senator DECONCINI. Even if it served the purpose of the Agency if you got caught, you were in deep trouble. If you got by, nobody cared. Is that fair to say?

Mr. FIERS. Well, that's a very hard question. If you got by and it worked, yeah I suppose so. But whether or not someone knew that it was patently false—

Senator DECONCINI. Did you get by in the Agency when you withheld information that you agreed in your plea bargain that you did withhold certain information? Did you get by with it at the time at the Agency?

Mr. FIERS. No.

Senator DeCONCINI. You didn't?

Mr. FIERS. I was reprimanded.

Senator DeCONCINI. You were reprimanded.

Mr. FIERS. By Judge Webster for not being fully—after my 1987 testimony, for not being fully forthcoming to the Congress.

Senator DeCONCINI. I'm glad to hear that because it gives me some confidence that somebody out there is pursuing what the Agency witnesses say.

Mr. FIERS. The whole thing was reviewed and it was determined by my self-admission that I was not full and forthcoming. And I was reprimanded—

Senator DeCONCINI. And what happened to you besides a reprimand? Were you told to come back and straighten it out?

Mr. FIERS. At that point in time there was a legal investigation under way, one, and two, the working assumption that was largely accepted was that my 1987 testimony had corrected the record which is in fact the case except for—

Senator DeCONCINI. In 19—what?

Mr. FIERS. In 1987 testimony in front of the Iran-Contra Investigating Committee.

Senator DeCONCINI. Corrected that?

Mr. FIERS. Corrected the record which was the case as it related to me but it also was incomplete as it related to some other people and certain events.

Senator DeCONCINI. Senator Cranston wanted to pursue that for a minute.

Senator CRANSTON. Just one question. In relationship to when you testified in a misleading way, when did the reprimand occur?

Mr. FIERS. December. Five months later.

Senator CRANSTON. Five months later.

Mr. FIERS. August—I testified in 1987, the first week of August. The reprimand took place in late December before Christmas.

Senator CRANSTON. What triggered it? Were there press accounts?

Mr. FIERS. No. No. Judge Webster had an outside counsel come into the Agency and review the activities of all agency personnel involved in what is known as Iran-Contra and to recommend legal—or recommend actions. Actions ran from mandatory retirement in two cases to reprimands and reductions in ranks in several cases and in my case it was a reprimand and a suspended reduction in rank.

Senator CRANSTON. Thank you, thank you, Senator.

Senator DeCONCINI. Mr. Chairman, I think I may have thirty seconds left.

Chairman BOREN. Go ahead and complete because we want to—

Senator DeCONCINI. And I will.

Chairman BOREN. If you have an additional question you want to ask, go ahead and go over the limit because we want to complete all the questions that we have. So feel free to go ahead.

Senator DeCONCINI. I don't want to go over the limit. What I do want to do is if the Chairman would agree, that I yield to the Senator from Ohio for the short question I was going to ask because my



time is almost up, and instead of him interrupting me, I'll just let him do it.

Chairman BOREN. Certainly.

Senator METZENBAUM. I thank the Senator from Arizona.

Am I misinformed that you got a monetary award at the Agency after withholding information from Congress?

Mr. FIERS. The dates—the monetary award was in January of 1987 when I was selected as the meritorious or superior, I was the outstanding of the DDO, whatever the——

Senator METZENBAUM. I see your lawyer speaking. This was after you had withheld——

Mr. FIERS. No. This was in January 1987. The testimony was in August of 1987. The reprimand was in December of 1987 so it was almost a full year later. The award which was given to me was for the operations that were run from January of 1986 through December 1986, not from 1986 through the time we were talking about.

Senator DeCONCINI. I have more questions but I could go on for a long time with this witness.

Chairman BOREN. Senator Nunn has indicated to me that he has no further questions beyond the questions he asked. I have Senator Gorton and Senator Bradley to still ask questions. But rather than come back to you, would you like to ask additional questions now?

Senator DeCONCINI. Mr. Chairman, I hate to impose on other people's time.

Chairman GORTON. I don't have very much time and I would like to go now.

Chairman BOREN. Well, let me go to Senator Gorton and Senator Bradley. Then let me say to my colleagues, including Senator DeConcini and others, we will allow you to put any remaining questions to this witness before we complete his testimony.

Senator DeCONCINI. Mr. Chairman, if the Senator from Washington would yield—and I'm not going to ask a question, Senator Gorton except for the Chairman—the one question I have here I believe the witness could answer in writing if that's all right and I'd be glad to submit it to him.

Chairman BOREN. We'd be happy to do that.

Senator CHAFEE. Mr. Chairman I must say, I don't know when—we've got to move on with this thing. Why not just have him answer it.

Senator BRADLEY. Mr. Chairman I would be pleased to yield a minute of my time to the Senator from Arizona. I don't expect I will use my full ten minutes.

Chairman BOREN. We have no time problem here at this point because what I want to do is let every Member ask every question of this witness. We want to go on now to have continuity. So let me suggest, Senator DeConcini, why don't we let Senator Gorton and Senator Bradley ask their questions and then come back to you if you will.

Senator DeCONCINI. Mr. Chairman, I am going to leave, that's why.

Chairman BOREN. Senator Gorton, do you mind if Senator DeConcini asks this last question?

Chairman GORTON. Mr. Chairman, we're going to have a vote in four minutes on the floor and I don't want to go and to come back.

Chairman BOREN. In four minutes?

Chairman GORTON. I am informed we are going to vote at 12:45. And I have a couple of questions and a comment and I'd like to do them.

Senator DeCONCINI. Mr. Chairman, I will submit my questions in writing. If he wants to answer it fine if he doesn't then—

Senator CHAFEE. Well, that was my whole point, Mr. Chairman. Are we ever going to see the answer in writing. I mean, here we have got the witness, we've got the time. Can't Senator DeConcini—

Chairman BOREN. Senator Bradley said he would yield to Senator DeConcini for his questions after which, if Senator DeConcini will wait that long, we'll let him ask his question. Then we'll go to Senator Bradley. Senator Gorton?

Senator GORTON. Mr. Fiers, I want to associate myself with the remarks of Senator Rudman about your career, and about what you have done for your career, and about what you have done for your country. I regret, obviously paying a very heavy price for it. It may very well be that our country is paying a very heavy price for it as well. In many respects I wish you were still with the Agency. You've made a very significant and thoughtful impression on this Senator at least.

I can also say that Senator Rudman asked the very questions which I intended to ask so I have essentially only one. This is after all not an Iran-Contra hearing. This is a hearing on the nomination of Mr. Gates to be DCI.

You have testified as to a wide range of facts of your dealings with Mr. Gates. My summary question is, first would you give me the years during which you knew him and worked with him? When did you first meet him?

Mr. FIERS. I can't recall when I first met him. But when I first began to work with him in a meaningful way was in the early spring, late winter of 1986. I would put the date in March or maybe as early as late February.

Senator GORTON. So in comparison with most of your relationships in the Agency your direct knowledge and working with Mr. Gates was relatively brief?

Mr. FIERS. That's correct. Yes.

Senator GORTON. Are there any facts which we ought to consider material? Any other conversations? Any other impressions which you have developed by reason of those personal relationships with Mr. Gates that you have not already told us in answer to one of the many questions which has been put to you here today?

Mr. FIERS. None that I can think of. None that I can recall. And I've worked very hard to recall, to refresh my recollection.

Senator GORTON. Well, Mr. Chairman, under those circumstances since I think that's what the individual has is relevant I have no further questions and I'm happy to pass on.

Chairman BOREN. Thank you very much, Senator Gorton.

Now we'll turn to Senator DeConcini.

Senator DeCONCINI. Thank you, Mr. Chairman. I want to thank the Senator from New Jersey.

Mr. Fiers, you indicated that you had one experience with Mr. Casey where he referred to polls and the political aspects of the job and what have you.

Mr. FIERS. Yes.

Senator DECONCINI. And this question leads to that. It's just on my mind and I had to ask it and it's not as profound as the time that we discussed me asking it went to. But the New York Times reported that there were intelligence reports on members of Congress, and their aides for that matter, who opposed aid to the Contras. Former Congressman Mike Barnes of Maryland says Bill Casey used the reports to try to force Barnes to back down on his opposition to such aid. Now, based on what you told us here as to Mr. Casey and as to Mr. Gates, did you know anything about these reports or ever hear about these reports?

Mr. FIERS. Yes, sir, I knew a lot about those reports.

Senator DECONCINI. You knew about them. And is that a fair characterization that the New York Times said?

Mr. FIERS. Fair characterization of?

Senator DECONCINI. That there were reports, that Mr. Casey did have them and that he did perhaps use them on Mr. Barnes? Or with Mr. Barnes or other members or with staff?

Mr. FIERS. I discussed and was directly involved in the meeting with Mr. Barnes.

Chairman BOREN. Could you say that a little more loudly.

Mr. FIERS. I was a party to the discussion leading up to, and may have been the causative factor in the meetings with Mr. Barnes. I read the report. I said they were outrageous.

Senator DECONCINI. You said the report. About Mr. Barnes?

Mr. FIERS. No. About the Staff Director of the Committee—the Subcommittee of which Mr. Barnes was Chairman. I read that report.

Senator DECONCINI. And what was outrageous? The accusation that he had done something wrong?

Mr. FIERS. The nature of the relationship of his Staff Director with the Sandanista government was to my mind outrageous.

Senator DECONCINI. Outrageous. Thank you.

Mr. FIERS. And when I made reference to my statement to both—to the nutcracker and the nature of the situation I was in, I was referring in part to that, in part to the Administration.

Director Casey's approach to Barnes, I was not a party to, but I knew about it. It's purpose was counter—was a matter of counter-intelligence, to make the point that we felt that there was a contact between a member of Congressional staff and the Sandinistas that was inappropriate and that information that was inappropriate to be transmitted to the Sandinistas may in fact have been transmitted, and it was an attempt to stop that.

And I think I probably caused that meeting to take place because I drew that report to the attention of folks and urged that, within the context of reconciliation, we try to stop this. That was when I was still a little bit naive.

Senator DECONCINI. Now do you know anything about Mr. Barnes' accusation that Mr. Casey used this to get him to back off his opposition?

Mr. FIERS. I can't characterize the meeting. I wasn't there. I'm sure it was open to interpretations. Bill Casey was not the most articulate person and how he presented it I just don't know and I

don't know how it was interpreted. I do know it took place, I knew——

Senator DeCONCINI. Did Bob Gates know of these reports?

Mr. FIERs. Probably.

Senator DeCONCINI. Were there reports on other members of Congress that you're aware of?

Mr. FIERs. Yes.

Senator DeCONCINI. And are you aware that Mr. Casey or Mr. Gates—let's say Mr. Casey first, approached members of Congress regarding these reports?

Mr. FIERs. I do not think he did. Let me add a very important point because we're into a very, very sensitive topic. These reports that we're talking about were the product of intelligence operations focused on the Sandanista government and their deliberations. In the course of those events, from time to time, we collected information which gave us glimpses into the insight, into ongoing relationships that in my view were questionable. And I must say had an impact on me. And several times I called to the attention of the leadership, Clair George, Casey, and maybe, I don't recall clearly, maybe Bob Gates after he became DCI, the existence of these reports, the inappropriate nature of the contact and urged, probably with some emotion, that something ought to be done about it.

Senator DeCONCINI. Thank you. Mr. Fiers. And you don't know whether Mr. Gates did anything about it or not?

Mr. FIERs. I don't recall clearly Mr. Gates being in the loop, as it were, on that. I remember Casey was and I remember Clair George was. I certainly know other members of the Inter-Agency Group were aware of those reports and were equally outraged.

Senator DeCONCINI. Is it fair to say that you think Mr. Gates was——

Mr. FIERs. I think he knew of them, yes.

Senator DeCONCINI. Thank you Mr. Chairman and thank you Senator Bradley.

Chairman BOREN. I would say to the Senator from Arizona that we have made a request of the Agency for a full report on this particular issue including all of the contacts or any flies regarding Members of Congress and what was done with them and what the actions were.

Senator DeCONCINI. Excuse me, Mr. Chairman. Doesn't that request include whether or not there's any record of approaching the members?

Chairman BOREN. Yes, sir.

Senator DeCONCINI. And who approached them?

Chairman BOREN. Yes.

Senator DeCONCINI. Thank you.

Chairman BOREN. We've asked for a full report on that. We have not yet received the final report, but I anticipate we will prior to concluding our deliberations on this nomination. We will have an opportunity for Members to fully view that report and to ask any additional questions in regard to it.

Senator DeCONCINI. You'll let us know.

Chairman BOREN. Absolutely. So this will be disseminated to Members. We'll then have a discussion among ourselves on how we proceed on any information that comes from that. We'll certainly

have an opportunity to ask any questions that it might provoke. Let me say that there is a vote on the floor and I've notified the cloakroom that we might be somewhat late so we can complete with Mr. Fiers. Senator Bradley?

Senator BRADLEY. Mr. Chairman, thank you very much.

Just following on the last sequence of questions if I could. How many members of Congress did Mr. Casey compile dossiers on?

Mr. FIERS. Mr. Casey didn't compile dossiers on any Members of Congress that I know of.

Senator BRADLEY. So what is the information that you are referring to.

Mr. FIERS. We are very close to where we are slipping into classified information, Mr. Chairman.

But I can say it was information collected as a result of an intelligence collection operation targeted against the Sandinistas by several U.S. government intelligence collections agencies. The by-product—the product of that information from time to time, 5 or 6 or 7 times that I can remember, carried—had fairly specific information pertaining to the question. Dossiers were not included on that information. But I personally brought it to the attention on at least 2 or 3 occasions to my management.

Chairman BOREN. Let me see if I can clarify because we obviously can not discuss in open session. We certainly can, in closed session, pursue the question of how certain intercepts or information can be obtained. What you are saying is we know there is a prohibition by law for agencies of the United States government. Certainly the Central Intelligence Agency is not to collect against American citizens within the boundaries of the United States. It is a foreign intelligence collection service.

Senator BRADLEY. That was my next question.

Chairman BOREN. Secondly, even our own law enforcement agencies are prohibited by law for surveilling American citizens without appropriate safeguards including court orders, and probable cause, and all of those protections.

What I understand you to be saying is that the information which came either to the Central Intelligence Agency or to other government agencies, let us speculate the FBI or others, was related to collection against foreign governments. Information about conversations or meetings American citizens might have had with those foreign governments was a by-product of a targeted foreign surveillance, or surveillance of a foreign government. Is that a fair way of saying it?

Mr. FIERS. That is exactly right. And I might add to be definitive and for the record, there were no collection operations targeted that I know of against Members of Congress.

Chairman BOREN. In which they were the target?

Mr. FIERS. For which they were the target, that's right.

Chairman BOREN. But there was information which flowed from the targeting of foreign governments and officials which did pick up some relationships with members of Congress?

Mr. FIERS. Yes.

Chairman BOREN. And that is the information that you have been talking about?

Mr. FIERS. Yes.

Chairman BOREN. I take this matter very seriously. I read these accusations in the press and we have on behalf of the Committee requested a full report with the assistance of all of those in both major agencies involved. We should be getting that. I apologize to my colleague, I just wanted to sort of set the stage to what my understanding of it was.

Senator BRADLEY. Thank you very much. Mr. Chairman I only have two questions for Mr. Fiers. First, it is good to see you again.

Mr. FIERS. Nice to see you.

Senator BRADLEY. I wonder if you could clear up something for me that I have wondered about since 1987. In early 1987, there was a press report that CIA helicopters had been used to transport materials to Contra camps inside Nicaragua along the border. And I then called Bob Gates and asked him to check, told him I thought he had a problem, and check with Clair George, who was at that time on a trip. The call came back that, no, there was no problem. And I then said, well I think you have to look harder. He then came back a couple of weeks later and said, yes, there was a problem.

Can you shed any light on these events since you are intimately associated with them?

Mr. FIERS. Absolutely. I think I can.

Senator BRADLEY. Would you please.

Mr. FIERS. Yes. In February, I believe, of 19—this is going to take a little while, so if you have a vote and you want to take a quick recess and return, Mr. Chairman?

Chairman BOREN. They told us they would hold the vote another 10 minutes.

Mr. FIERS. Well I think I can do it quickly. I can do it in 10 minutes.

Chairman BOREN. Well, this is an important question and I want you to take as much time as you need. No, let's not rush on this point.

Senator BRADLEY. Mr. Chairman, I would be pleased to go quickly and vote and come back.

Chairman BOREN. Let's take a very brief recess.

Senator BRADLEY. About five minutes.

Chairman BOREN. Let's take a very brief recess, we'll go vote and come back. If any other members of the Committee wish to address any final questions to Mr. Fiers, they should return at that time because we intend to complete this testimony and begin with Mr. McMahon this afternoon.

We will stand in brief recess.

[A brief recess was taken from 12:56 p.m. until 1:12 p.m.]

Chairman BOREN. I would ask the witness to resume his position and others to clear the well.

We will begin and again I want to thank the witness for his patience. We have gone through quite an example of physical endurance today. We went almost 4 hours without stopping.

Just for the record, does the witness understand that he is still testifying under oath?

Mr. FIERS. Yes.

Chairman BOREN. Thank you very much. We were in the midst of Senator Bradley's questioning. Perhaps it would be good for Sen-



ator Bradley to restate his question before we go on to the answer, at least so this Senator can remember the question.

Senator BRADLEY. The Chairman's candor is—

The question was in 1987, there was a press report that CIA helicopters were used to transport arms illegally and certainly against CIA regulations to Contras within Nicaragua, along the Honduran border.

I called Bob Gates, said could you ask Clair George who is in the area—I think you have a problem. Bob Gates called back, said no problem. I said, you better look harder. Called back a couple of weeks later, said yes, there is a problem.

And I asked Mr. Fiers, since he was there if he could kind of broaden my knowledge of what happened during this period of time, and in particular, anything he might add about the first no.

Mr. FIERS. I am not quite sure where the Senator got his first glimpse into this problem, and we won't explore it.

Senator BRADLEY. I got it from a newspaper.

Mr. FIERS. Okay.

Senator BRADLEY. I got it from a newspaper story. That was the pretext of the inquiry.

Mr. FIERS. Right. Okay. Let me for edification of the American people and the press start out by saying that the events we are about to discuss were not related to Iran-Contra and the diversion. They were quite separate from that.

In many press reports, touching on this issue, one recent—not too long ago, they got all tangled in. These were issues of, if you will, violation of the Mrázek amendment, which prohibited CIA entities in the \$100 million program, the authorized program of unencumbered aid to supply equipment within or to have advisors for other than the purposes of collecting intelligence within, I think it was a 20 mile radius of the Sandinista border.

Clair George and I took a trip to Central America in I think February of 1987. It was after the Iran-Contra affair was in full blow. We flew down. One of the stops was at the Agency facilities—one of the Agency facilities that we were using to supply the Contras. And along the way we had given sort of briefings on what was happening about the affair and said if you had knowledge of activities that are questionable let us know now.

And there was a conversation about which there was some controversy between me and one of our officers, a site chief, and Clair and one of our site chiefs, and I can't reconstruct that conversation entirely, but it left the impression that there might be some problem there.

We then looked at it, at that point, in kind of a cursory fashion. Is there a problem? Well, we don't see one. Then as I recall and construct the chronology, your request came, Senator, and this is subject to some variance, because it is almost 5 years since it took place, or 4, but then your request came.

We went back down, we asked the same questions of the same people and we got negative answers again. No, there is no problem.

Then there was an article that appeared in the Boston Globe that showed the picture, a very bad picture, of a private benefactor in one of our airplanes, or vice a versa, one of our people in a private benefactor airplane. And I called in my compliance officer,

and said look at this. And we brought the site chief back up and I sat him down in my office——

Chairman BOREN. The site chief?

Mr. FIERS. The site chief.

Chairman BOREN. Right.

Mr. FIERS. I sat him down in my office and I said this is your last chance. You can tell the whole truth, everything from top to bottom about what went on down there, now and nothing will happen to you. But if you don't and later on something happens, something comes out, you are in trouble. You are not in trouble now.

That site chief went down and talked to the IG and the whole story came out at that point in time.

And the story essentially was that from a point in time, I don't know when, our helicopters which were used to ferry people to and from the forward site areas and for administrative purposes, were used to transport food and clothing from one forward Contra base to a more advanced Contra base. Because although they were only 10 miles apart as the crow flies, they were like 2 days on a mule, and it was a tremendous logistics problem to move the food, supplies, support for 10,000 people, or however many were there—thousands—over that distance.

And the overall chief had sanctioned, apparently, the issue of these helicopters to fly the food from site A to site B—all within—outside Nicaragua, but within the 20 mile limit. And that was done, as I understand it on the basis of the IG Report, which I had no reason to doubt, without the knowledge and approval of the COS, on the authority of the site chief and the base chief who was the fellow responsible for the management of the Contra program. The first time around we didn't get the truth from our people. The second time around, when we had the newspaper article, we sat them down and we got the truth.

That's when Bob Gates came back several weeks later. I put that kind of in late April really. That's my recollection. And said, yeah, we've got a problem. That base chief was relieved of his duties, and was one of the two people that was ultimately retired from the Agency. His retirement had nothing to do with what we know as Iran-Contra. It had to do with violations of the Mrazek Amendment. Does that——

Senator BRADLEY. Yes, thank you very much. That makes it a little clearer than a call reversing a position in a matter of weeks.

I've got one other question for you, Mr. Fiers, and that is, other than Iran-Contra, have you been aware of any covert activities by the CIA since 1985 that were not authorized by a Presidential Finding.

Mr. FIERS. That—I'm not quite—the answer to the question in its larger sense is not, but there's an area that I discussed I think that's largely classified with the Committee staff that is open to some question. And I've discussed that with Committee staff. And it was not—it is open to some question and I think it's probably better pursued in a closed session. And I would characterize it this way. It's questionable.

Senator BRADLEY. Fine.



Mr. FIERS. But I'd be willing to pursue that with you. I think it's appropriately done in another session.

Senator BRADLEY. Well, we'll wait until we get to a classified session. Thank you very much.

Chairman BOREN. Any other questions, Senator Bradley?

Senator BRADLEY. No more questions.

Chairman BOREN. No other Members of the Committee have indicated to me that they have other questions of this witness. So, again, Mr. Fiers, let me express the appreciation of the Committee for your being here today and being very candid in the answers to our questions. Your testimony is very important to us in our deliberations and in meeting our responsibility. Having sat as a Member of the special Iran-Contra Committee as well, I think in many ways we received from your testimony today a clearer understanding of many of the events that took place during this period of time than we had even at the conclusion of those hearings. So, the information that you've given us is very, very helpful to us in terms of our understanding.

Several Members of the Committee have expressed to me in our own informal discussions in the course of your testimony today their admiration for much of the fine work that you did at the Agency. The contribution you made to our country and also, their sympathetic understanding of the difficult position in which you found yourself. I think that all who have observed these proceedings this morning will have a better understanding of the kinds of difficulties that many people down in the Agency had in coping with the situation. It's one of the reasons why I felt so strongly and felt that I've been correct in stating that a very strong oversight process, must have very clear procedures within the Agency and clear oversight procedures that are effective. This is one of the reasons we wanted an independent audit, one of the reasons why we wanted an independent Inspector General and other steps. Rather than being something that was a negative action, it will in many ways in the future stand as a protection for professional officers trying to assure that they wouldn't be placed in these kinds of situations in the future. There would always be the knowledge of everyone concerned that there was an effective oversight procedure in place and that answers would have to be given to the Congress, as well as internal answers to the Inspector General and others on an independent basis within the Agency. We might prevent some of these tragedies and personal tragedies as well in the future. Your testimony also underlines the importance of setting up these safeguards to the best that we can set them up. A strong oversight process is really a protection to professionals in the Agency.

Mr. FIERS. Thank you very much for those comments as they relate to me, and I'd like to say that having been part of the oversight process after the events we've talked about—the Iran-Contra events took place—I can only say it was a positive experience. You know how many times I've appeared in front of the Committee, and I always went away an enriched and better manager for those sessions. And I think the course that you've embarked upon is exactly the right one for the country, and I'm impressed with, once again, the fairness and the thoroughness of the Committee. It's

been a pleasure appearing before you, and I hope it's been of some value to you in your deliberations.

Chairman BOREN. Thank you very much.

I'm told Senator Cranston has one last question. I know you'd be disappointed if we let you leave without one last question. It always kind of reminds me of the press. They always want to take at least two pictures of a politician for the newspaper: I'm told that's because the first one might have been good. So we don't want to let you go without one last question, Senator Cranston, we're happy to recognize you.

Senator CRANSTON. Thank you very much. Let me first say I wish that some of our colleagues who are Senators were present because I wanted to ask them what they think of a policy that if you hire an attorney you are in deep trouble.

Mr. Polgar, who will be before us later today, accuses Bob Gates of, quote, "not telling the truth," unquote, when he said the CIA did not want to know how the Contras were being funded. Polgar then cites a message that you sent to the field and the testimony of two field managers in Central America. The message you sent on January 26, 1986 stated that, quote, "field managers must have their finger on everything that the resistance forces are doing," unquote. And the field managers testified that they reported regularly on Contra resupply operations and assisted them in obtaining flight clearances.

So, what I want to ask you is this. How do you assess Mr. Polgar's allegation that Bob Gates was not telling the truth when he testified that CIA people, quote, "actively shunned information," unquote, and, quote, "did not want to know how the Contras were being funded," unquote, and, quote, "actively discouraged people from telling those things."

Mr. FIERS. I divide it into two tiers. Tier one, that was—the message that you are making reference to was an admonition to my field commanders, that I wanted to make sure that they were in control, that they knew what was happening, that spurious elements—and the spurious element in particular was—two of them come to mind. One was, I think a 3206 or 3602 Brigade, which was a remnant of the Bay of Pigs organization that was made up of soldiers of fortune. And the Civilian Military Assistance Group, operating out of someplace in Alabama, that was another soldier of fortune group. They were always mucking around trying to get their fingers in the pie, and I wanted to make sure we knew what was happening and that we kept our colleagues—and I really mean colleagues and friends with the resistance—out of harm's way. And that I had a good understanding of what was flowing to the Contras, what was happening to the Contras in terms of the supply operations.

So, we wanted to know on the field end in detail what was happening. But when it came to trying to pierce the veil for where the funding was coming from, it stopped. We did not go after the rest of the trail as ferociously or as thoroughly as we should have. Let me give you an example. We knew—and I think I've testified to this to the other body—that the trail—the money trail—went to bank accounts in the Cayman Islands. And we didn't push beyond the Cayman Islands to find out where it came from.

Chairman BOREN. That's the private funding of the Contras?

Mr. FIERS. Private funding of the Contras. Yes, the private funding of the Contras. There were other tidbits. Had we been running—had I been running a thorough investigative operation to uncover that, I probably could have. And that's what Bob Gates means by we backed away from it. Another example was after the private benefactors were at the transshipment base I made reference to and had gone through the metamorphosis and were fully private benefactors, it would not have been hard to penetrate that veil and to find out who was behind them. We told our officers to stay away from them.

We did it, one, to keep them out of harm's way and to keep them from crossing the lines. And, two, so that knowledge that we did not want in our head didn't get in our head. And that's what Bob Gates was referring to. And I hope that answers your question.

Senator CRANSTON. It does. And as others have commented on what you've done today, I want to thank you also. First of all, for the risks you've taken for your country. I recognize the very difficult problems you faced at one point in your career, and I want to say that you've been very helpful to us today, and I hope the recognition you've gotten today, and the opportunity you've had today, has been helpful to you also.

Mr. FIERS. It has been, and it's been a positive experience that I've waited for for five years. Thank you.

Chairman BOREN. Thank you very much, Mr. Fiers. We will begin the testimony this afternoon at 2:30 with Mr. McMahon, the former Deputy Director. He will be followed by Mr. Polgar. We'll then take a recess for about an hour over the dinner hour. It would be my plan to come back and then work until approximately 9:30 tonight. We'll endeavor to try to get through those witnesses we have scheduled. In addition, we have Admiral Inman, Mr. Kerr and Mr. Allen. Maybe some of those might go over until into the morning, but we will plan to work into the evening hours tonight. Again, I thank the witness.

We'll stand in recess.

[Thereupon, at 1:30 p.m., the Committee stood in recess until 2:30 the same day.]

#### AFTERNOON SESSION

Chairman BOREN. We will resume our hearings at this point. For the benefit of my colleagues, we will proceed in the same way in terms of questioning of this witness as we proceeded with Mr. Fiers this morning. Would the staff please inform the Members who are on their way back here.

After the witness has given his opening comments, and after the Vice Chairman and I have laid down certain basic questions as a background to frame further questions by the Members, we will then go to 10 minute rounds of questions under the early bird in order of appearance by Members of the Committee.

We will rotate according to the order in which Members arrive at this meeting, and we will then continue until all Members have had a chance. We will go back to additional rounds if Members still have questions before we complete.

Let me say, I very much appreciate our witness changing his schedule. He was due to leave earlier in the day and he has already changed his schedule once to accommodate the Members of the Committee.

Our next witness this afternoon is John McMahon, who is an old and valued friend of this committee. Mr. McMahon was a career officer who held the most senior positions in CIA, including being the Deputy Director for Operations and the Deputy Director for Intelligence before becoming the Deputy DCI under Mr. Casey in June of 1982.

He served in that capacity for almost 4 years, until February 1986, when after 34 years in the Central Intelligence Agency, he left to take a job in the private sector.

John McMahon was and is the quintessential intelligence professional, intimately familiar with all aspects of the business, and a man of uncommon good sense and fortitude. It is really a pleasure and a privilege, Mr. McMahon, for me to welcome you back on behalf of the Committee.

The Members of this Committee have the utmost respect for you and appreciation for the service which you have rendered to our country.

To provide some context herein so far as Mr. Gates is concerned, Mr. McMahon was deputy to Mr. Casey when Mr. Gates was the Deputy Director for Intelligence, responsible for CIA analysis and production.

Mr. McMahon thus is in a position to comment on Mr. Gates' performance in this position. Mr. McMahon also was in on the beginning of what later was called the Iran-Contra affair. In the fall of 1985, as the record shows, he became aware of the Administration's effort to gain the release of hostages by approving the Israeli sale of United States weapons in Iran.

In November he learned after the fact that the CIA had provided assistance to a flight which had carried 18 Hawk missiles from Tel Aviv to Tehran. Mr. McMahon insisted that a Finding be obtained from the President, retroactively authorizing such an activity.

He chaired a meeting which Mr. Gates attended on December 5, 1985 where the November flight was discussed, and it was noted that a finding had been signed retroactively authorizing CIA's assistance and where it was stated that future shipments were likely. Now Mr. Gates has testified that this was his first exposure to the Iran arms sales program.

After the January 17, 1986 Finding had been signed, authorizing the arms sales to Iran and the provision of intelligence, Mr. McMahon sent a cable to Director Casey strongly objecting to this operation in general and objecting to the provision of intelligence in particular.

Our record shows that Mr. Gates joined him in objecting to Mr. Poindexter with respect to the provision of intelligence as part of this operation. A month later Mr. McMahon decided to retire from his position voluntarily at the CIA.

John, again, we are grateful for your willingness to participate in these proceedings, and inasmuch as we are in the midst of a confirmation process, I know you understand we must take all testimony

under oath. So I would ask that you stand and be sworn at this time.

Chairman BOREN. Do you solemnly swear that the testimony you are about to give is the truth, the whole truth and nothing but the truth, so help you God?

Mr. McMAHON. I do.

Chairman BOREN. Thank you very much. You may be seated. We would welcome at this time any statements that you might like to make, opening statement, and then we will turn to questioning from the Committee.

### TESTIMONY OF JOHN McMAHON, FORMER DEPUTY DIRECTOR OF CENTRAL INTELLIGENCE

Mr. McMAHON. Thank you, Mr. Chairman. I do have a very brief statement, and in response to the Committee's request, I have also dictated a classified statement to some pertinent questions which the Committee had and that I believe has been delivered to the Committee's staff so you may have that for your record.

Chairman BOREN. Yes, it will be received as part of our full record.

Mr. McMAHON. Mr. Chairman, as in the past, it is an honor to appear before this Committee and I welcome the opportunity to speak on behalf of the confirmation of Robert Gates as Director of Central Intelligence.

It is my judgment that Bob Gates is uniquely qualified for the position. He has a thorough appreciation of the Intelligence Community as well as the Central Intelligence Agency and he is well-attuned to the intelligence needs of the President, the Washington policy-makers and the Congress.

His experience in serving four Presidents during his career as well as holding key assignments in CIA provide a unique back-drop to his current understanding of world affairs, prompting my conclusion that he could assume the leadership of the Intelligence Community with a running start.

I have known Bob Gates to be an individual of extraordinary competence and the utmost integrity. I urge your favorable confirmation of Mr. Gates and I would now be happy to answer any questions the committee may have.

Chairman BOREN. Thank you very much, Mr. McMahon.

I want to ask several questions that will give some background and perspective to questions that other Members of the Committee may want to ask in some detail.

Now you were Bill Casey's deputy from January 1982 until February 1986—

Mr. McMAHON. I believe it was June '82.

Chairman BOREN. June 1982 until February '86, about 4 years. Mr. Gates stint as Mr. Casey's Deputy lasted only about 8 months in contrast, although an eventful 8 months it was.

For the entire period you were deputy, Mr. Gates was the Deputy Director for Intelligence, I believe. So it would appear to me that you have been uniquely situated, both in terms of knowing Mr.

Casey and in terms of knowing Mr. Gates, to give us some information.

We have talked a lot at these hearings about being the man in the middle, but at least from 1982 until 1986 in some ways, you could be defined as the man in the middle as the deputy to Mr. Casey.

So I want to get to some specific points at issue and ask for your opinion of them. First, Mr. Gates has testified that he first became aware of the speculation that proceeds from the Iran arms sale may have gone to the Contras on October 1, 1986.

We have Mr. Fiers' testimony that when he reported this to Mr. Clair George, Mr. George replied that he, Fiers, was now "one of a handful of people who knew." We have Colonel North's testimony previously in other forums that Mr. Casey knew.

If Mr. Casey knew, and if Mr. George knew, in your opinion, is it possible that Mr. Gates, as Deputy DCI, did not know during this period?

Mr. McMAHON. I think it is quite probable that he didn't know, and I will say from two standpoints. One is that this operation was not a CIA operation. The Finding directed us to support the operation and we did that. All the shots were called out of the NSC: where flights went, when they went, how they went, what they carried, who paid whom, was not under the control of CIA whatsoever.

We were simply in the "you call, we haul" situation, and I can readily accept the fact that given that state of operation within the Agency where we had a Finding from the President directing us to provide the support, and once that support mechanism was in place, there were very little decisions for the Agency to make.

So I don't see why decisions would have to bubble up through the system so to speak, in order to carry out the responsibility of the Finding.

Now when it came to the off-line operation of diversion of funds, that was strictly over at the NSC side of the house, and what the Agency learned of that was not part of the operational support that the Agency was providing, and therefore, it was, I am sure it was treated as, do you know this or do you know that?

And I see it very credibly acceptable that that would not flow back through the chain of command. So when Bob Gates said that he was unaware of the diversion under 1 October 1986, I have the utmost confidence that that is the truth.

The other standpoint that I want to mention and that blends with some of the comments that I have read and heard about in the press is you must remember that when Gates came in and he came in April '82, I actually left, Mr. Chairman, March 29, 1986, Gates came in April '86, that when I came to that job I had about 4 years of running the DDO.

So I knew every operation in the Agency. I knew most of the people, certainly all of the senior people and I knew how the DDO ticked. When Bob Gates came to that job, he came out of the DDI which was always separated from the operational aspects of the Agency.

So when he came in, he had to learn a lot of things and the Iran-Contra was just a very small piece of what the Agency was involved in and I can see where Bob wasn't brought into the confi-



dence of what was going on there. He had no reason to know that something like this was going on, and therefore, I accept his statement with great confidence.

Chairman BOREN. Mr. Gates has also testified that he was not aware of the actions alleged by Mr. Fiers, that Mr. George had ordered Mr. Fiers to limit the Congressional testimony in the Hasenfus flight. Again, I quote Mr. Fiers testimony: "So as not to put the spotlight on the Administration."

If this is true, do you think Mr. George would have directed him to limit his testimony without the direction or clearance of the DCI or of Mr. Gates as Deputy DCI?

Mr. McMAHON. I would only have to speculate on that, Mr. Chairman, and if you accept my premise to start with, that this was a White House operation, I could see why that happened.

I think it is extremely unfortunate, but I could see that happening without it ever getting to Gates.

Chairman BOREN. Mr. Gates also testified that he was not aware of Colonel North's operational role in the private resupply network being operated out of Ilopango Air Base in El Salvador for much of 1986, until the Hasenfus plane went down in October.

Mr. Fiers has testified that he assumed Mr. Gates was at least somewhat aware of Mr. North's role with the private aid to the Contras. He remembers a conversation with Mr. Gates regarding the purchase of assets from the private benefactors at about the time that Congress was about to reauthorize the aid to the Contras. There was some discussion about whether or not some of that money that had been authorized by Congress should be used to buy some equipment from the private benefactors.

Do you think it is possible that Mr. Gates could not specifically have known of Mr. North's operational role, even if he knew about general rumors that Mr. North was talking with the private benefactors and as he put it, hand-holding with them and talking with them about private fund-raising?

Mr. McMAHON. I would have to revert to my own situation in that case. There was a great deal of chatter on the streets in Washington that there was the private effort being engineered out of the NSC and White House to fill the void through private contributions to help the contras.

I think you would have to be immune not to know that that was going on. But one thing that I was very careful not to do was to explore what was going on. I lived, since 1975 and 1976 with the sting of the Pike-Church hearings still ringing in my ears on what happened there to the Agency when the Agency followed the President's Directive involving Americans.

So we were really tuned to stay away from anything that was American, and we had even a great deal of problems getting information that would involve drugs coming out of Mexico that involved Americans, and finally it was sorted out with the Attorney General and Justice Department how we can handle that.

But most of the employees, if not all of the employees in CIA didn't want to know what any American was doing in support of the Contras, and I can recall myself as well as Bill Casey testifying in Congress that we didn't want to know because if we were ever

called in a hearing and asked the question, we would tell what we know, and that is why we avoided it.

So the fact that, you know, Mr. Gates may have had a sense of it, that sense was what every other citizen within the Beltway knew and not necessarily from his perspective as DDCI.

Chairman BOREN. In November 1986, Mr. Gates was left to pull together what the CIA knew of the Iran operation to prepare Mr. Casey for his testimony before the Committee on November 21st. When that testimony was prepared, it did not mention several key facts and Mr. Casey, whether intentionally or unintentionally, provided misleading or inaccurate responses to a number of questions he was asked at the hearing.

Mr. Gates testified that he essentially gave responsibility for the statement over to Mr. Casey the day before the testimony. He worked on pulling together some data. His testimony to us was that he left and later that evening, but before the testimony the next morning, Mr. Casey and others made some additional changes.

This seems to be borne out by the Committee's inquiry. However, he says, and we questioned him about this, that he never went back to find out what the statement actually said. In other words, having worked on it to some degree, he never went back to find out what Bill Casey actually said when he went to the Committee nor did he check to see how Mr. Casey responded to questions.

Does that seem curious to you that Mr. Gates did not go back, after having worked on the statement, to find out, well, what did Mr. Casey actually say and how did he respond to questions like those that came from Senator Leahy and others?

Mr. McMAHON. I know for a fact that I don't think that Bill Casey ever took any statement that he didn't rework in his own words. In fact, he did that with just about any paper that came before him.

If you are referring to the testimony that was given before the Senate Select Committee—

Chairman BOREN. Yes, sir.

Mr. McMAHON. I can tell you that when I came back to testify myself, I went into our legislative liaison to see what was going on, what was happening in the Committees, and Mr. Griesse, who was the legislative liaison said to me, did you see what Casey said in his testimony?

I said no and so he showed me a paragraph where Casey said that I had approved the flight, but then had insisted on a Finding. So I went boiling into Casey's office and said, Bill, that is not true and I am going down there and change that record. He said, well, I thought that is the way it is, you know, Bob drafted the thing for me, and all like that.

So I went running into Gates' office and he said, look, I got that from the DDO. They are the ones that passed that up to me. So I said, well, that is wrong. So Casey called in Dave Griesse and he said, look, tell the Committee that I misspoke and that McMahon had not approved that flight.

He said, John, I thought I was doing you a favor. I was making you a hero that you insisted on the Finding, and I said I don't worry about the Finding. I said, I didn't approve that flight. And so



he said, fine, and he—as the records show, he withdrew, said he misspoke.

So if Gates had kind of followed that through he would have been more much attuned to what Casey was doing and saying, than what he reacted when I, in a fit of emotion went into him.

So I can see very well that he would hand it through the door to Casey and after that, it was Casey's statement.

Mr. BOREN. You think, in fact, based upon his reaction to you when you came back and later objected to some items in it—

Mr. McMAHON. Right—

Chairman BOREN. You think he hadn't reviewed what was actually said?

Mr. McMAHON. I don't think so. There is not a cause and effect of what I said to that conclusion, but I just don't think he would have done it. He might have seen the statement later, but once you work on a statement to Congress, it usually just makes its way up.

Chairman BOREN. Let me take you to another area. Mr. Gates has testified that his first exposure to the Iran arms sales, not the diversion, but the Iran arms sales, came in a meeting in your office on December 5th, I believe that would be 1985.

Mr. McMAHON. That's correct.

Chairman BOREN. Do you recall this meeting?

Mr. McMAHON. I sure do.

Chairman BOREN. Do you recall Mr. Gates being involved in this matter at any time prior to December 5th?

Mr. McMAHON. No, I don't recall Bob being involved in that, and in fact, I don't recall anybody being involved because the flight only happened on the 23rd of November, I think, and I found about it on the 25th and after that we were pushing to get the Finding through the White House.

There is, and the reason why this is so clear to me after all these years, is I have done a lot of work preparing for questions from the Independent Counsel. So what you see isn't my memory, it's the refreshment of my memory.

During the course of that day, the 5th, I received a call from Admiral Poindexter at 7:30 in the morning. And it is obvious at that time, although I don't remember it that way, but it is obvious what happened. He tasked me for a meeting that I was to have with the President, Secretary Shultz, and Secretary Weinberger on 7 December.

So I took all of that tasking and called a meeting later that afternoon with Mr. Gates and Bob Layton who is in the DDI, some DDO people and my executive assistant was there. And I went through the tasking that I wanted to get pumped up on so I could have the meeting with the President.

And I went down a litany of items that obviously Poindexter had passed on that he wanted some answers to, and it was at that meeting that I think Bob Gates became apprised of the Iran shipment.

Chairman BOREN. So as far as you know, that was his first knowledge of this matter?

Mr. McMAHON. The best I can tell.

Chairman BOREN. Let me go back to that December meeting then that you convened where Mr. Gates is present. In this regard,

Mr. Clair George testified before the Iran-Contra Committees. Let me quote his testimony on this, "In September of '85, Bill Casey had me, John McMahon, Bob Gates in his office, and Bill Casey said, this is September of '85, 'I have just had a strange meeting at the White House. Bud McFarlane informs me that the Israelis have approached them. The Israelis have established a contact with Iranian interests and these contacts could lead to the opening of a dialogue with certain Iranians and the release of the hostages. But the Israelis have one demand. The CIA not be informed.' And there was a twinkle in Casey's eye and he said, 'I wonder what in hell this is all about.'"

That is a quote from Mr. George's testimony about a meeting he recalls happening back in September. Do you have any recollection of a meeting where these kinds of comments were made?

Mr. McMAHON. I don't recall that meeting, nor the specific comments, but it was no surprise to me that the Israelis were trying to help the Iranians. In fact, on a trip that I had to Israel, I will put in the 1979-1989 time frame, they—well, maybe a little later than that, but it was in the early '80 time frame, they approached me on, didn't I believe that Iran was strategic and they need spare parts and help, and don't you think it would be a good idea if we did this.

And my response was, well, this is something that the Prime Minister ought to take up with the President. It is beyond my pay grade. And then I advised the Ambassador that the Israelis were thinking this way.

Then during the course of the summer we had snippets of intelligence that the Israelis were trying to use aircraft or things to fly aircraft into Iran and in fact, at one point in time, someone that we believed was tied to the Israelis tried to hire our proprietary to fly some stuff in.

So we knew that the Israelis were active and though I don't recall that meeting, it wouldn't surprise me one bit.

Chairman BOREN. So you don't recall that specific meeting, but you do know there were conversations about the Israelis wanting us to get in the business of helping the Iranians in some way.

Mr. McMAHON. Right, and in fact, in November, I was in a meeting with Bud McFarlane and Casey and when the meeting broke up, I walked out to the outer office and was talking to the secretaries and Casey was standing at the door talking to McFarlane and coming back in the car he said to me, did you hear what Bud said to me? I said no. He said, the Israelis want to ship some arms into Iran.

Chairman BOREN. Do you know whether Mr. Gates had information about the Israelis wanting us to help the Iranians in some way, during this period, prior to the December 5th meeting?

Mr. McMAHON. Not that I know of, Mr. Chairman.

Chairman BOREN. I go back to your earlier statement, as far as you know, at least in terms of specifically providing them with the arms, the December 5th meeting was the first time—

Mr. McMAHON. Probably the first one.

Chairman BOREN. As far as you know, that is the first time Mr. Gates knew?

Mr. McMAHON. That's correct.

Chairman BOREN. The Iran Finding was signed on January 17, 1986, which authorized CIA participation in the arms sale and authorized CIA to provide intelligence to Iran. Did you discuss this Finding with Mr. Gates?

Mr. McMAHON. I sure did, particularly on providing the intelligence. In fact, I recall talking to him about the direction that I received from Poindexter and the document that he showed me, that the President had signed the Finding, and Bob commiserated with me on this because he didn't like this operation or the thought of it at all. We just didn't think it had any future.

In fact, he was the one that passed me the intelligence briefs that I used with the President, where I told the President that there weren't any moderates in Iran, that all of them had been slaughtered by Khomeini and that whatever arms were passed to the Iranians would end up in the front against the Iraqis. So he and I were of one mind from this, and when I sent Bill Casey that cable that you referred to on the 24th of January, I had Bob Gates in mind when I said, every one here in headquarters thinks this is a lousy idea.

Chairman BOREN. So Mr. Gates joined you in opposing it and indeed helped give you information to use in arguing against the——

Mr. McMAHON. That's correct.

Chairman BOREN [continuing]. What has come to be the Iran arms sales program.

Mr. McMAHON. That's correct.

Chairman BOREN. Let me quote a little bit from this cable that you sent to Mr. Casey on January 24, 1986, "Everyone here at headquarters advises against this operation not only because we feel that the principal involved, I believe Mr. Ghorbanifar, is a liar and has a record of deceit. But secondly, we would be aiding and abetting the wrong people.

"I met with Poindexter this afternoon to appeal his direction that we provide this intelligence, pointing out not only the fragility of the ability of the principal to deliver, but also the fact that we were tilting in the direction which could cause the Iranians to have a successful offense against the Iraqis with cataclysmic results.

"Poindexter did not dispute our rationale or our analysis, but insisted that it was an opportunity that should be explored. Hence, in spite of our counsel to the contrary, we are proceeding to follow out orders as so authorized in the Finding."

And you said, when you talked about everyone at headquarters, that included Mr. Gates.

Mr. McMAHON. He was a principal, yes, sir.

Chairman BOREN. Did Mr. Casey ever respond to this cable?

Mr. McMAHON. He didn't initially and I asked that our communications people send me a response that Casey had read it. He was in one station and I didn't get a reply. I then knew he moved on to a second station, so I sent it to him there and insisted that I get a reply. And I got a reply saying Casey has read the cable but there was no advice or reaction to it.

Chairman BOREN. Since he had not replied but you knew he had read it, and because you said at the end of the cable, in spite of our

counsel, we're proceeding to follow the orders and provide the intelligence, so you were left just to go ahead with this.

Mr. McMAHON. That's right. And I had the assurance from Poindexter that the Attorney General had reviewed the Finding and said it was legal. And I also saw the President's personal signature.

Chairman BOREN. Did you do anything else to try to stop this at this point?

Mr. McMAHON. Not at that point in time. We—when it came to the time for the provision of intelligence, which was maybe within a week or so after that, Ollie North came over to my office, it was a Saturday morning, and Bob Gates was with me. And we had been asked to prepare some photography for the front. We had been asked that our folks prepare artist's drawings of the Iraqi dispositions. And when Ollie came in, we said to him, look, we don't want to provide photography. That reveals too much. It reveals the capabilities of our system. Let us give them line drawings.

And Ollie said, okay, fine, we'll give them line drawings. And then Bob and I talked, and I don't know whether it was Bob's idea or mine, but we said let's pick out an area where there is ground truth so that when you give it to the Iranians, they know you're giving them valid information. But let's pick a place that will have no value as far as a breakthrough from a battle standpoint.

And Ollie said okay. So we gave him what he wanted and I guess he went down to pass it on.

Chairman BOREN. So you failed, in essence, to convince the Director armed in part with arguments Mr. Gates helped prepare for you. You failed to convince the National Security Advisor, Mr. Poindexter, that this ought to be stopped. From your point of view, this being unwise you were trying to minimize the real value of what you were giving to them.

Mr. McMAHON. That's correct.

Chairman BOREN. Do you feel at this point that there was anything else that you or Mr. Gates could have done to try to stop this operation?

Mr. McMAHON. No, I think when you have assurances that the Attorney General said it was legal, when you have a Presidential Directive which was within the dictates of the Hughes-Ryan Amendment, we have little choice but either do it or resign.

Chairman BOREN. You left the Agency not too long after this began. Without probing too much into your own personal motivation for doing so, would it be safe to say that your discomfort with this and generally the way things were drifting at least led you to look more favorably on outside opportunities than you might have otherwise?

Mr. McMAHON. My decision to leave, Mr. Chairman, began long before the Iran-Contra. I was planning to leave. This was just one more straw of a lot of straws on my back. And if you read the newspapers in town at the time, every right-wing group in Washington had spears in my back. And I think I lost credibility at the NSC, and I thought it was time to move on.

Chairman BOREN. Just one last question. We have heard a lot and touched on this somewhat about Mr. Casey's management style. You certainly had a lot of experience with it. It has been argued that he would reach down in the ranks whenever he felt

like it, and that the Deputy Director may not know when he did that. You spent 4 years with him. Do you think some times he did that with you? And do you think he might have done it with Mr. Gates? Was this a function of his concern with secrecy or compartmentation from a professional point of view, or was this his dislike of the bureaucracy?

Mr. McMAHON. No, Bill Casey wanted to get the answers from the person that he felt had them. So he wasted no time in talking to analysts or ops officers down below. And his approach was that it's not up to him to wander through the chain of command, it's up to those people he talked with to feed upward. That wasn't his job. He was too busy. So it was not surprising that Bill would wander, you know, through the Agency and be pulling people in to talk.

Where Bob and I had that difference was that I had been in the DDO and I knew all those people, and I had a sense of what was going on. And every morning I would receive Casey's calendar. And when I saw a meeting scheduled that I was interested in, I would go sit in on the meeting. If I didn't want to go, I wouldn't go. So, I felt I had access to what was going on. What I knew that was going on was my decision and not his.

Chairman BOREN. Thank you, Mr. McMahon. I have to give notice to our members. I apologize to you but we do have a vote on the Floor. We are down to five bells on it, so we are going to have to take a brief recess. When we return, let me give the order in which we will be questioning.

Vice Chairman, Senator Murkowski, followed by Senators Warner, Gorton, Cranston, Rudman, DeConcini, Metzenbaum, Nunn, Chafee, Glenn, and Bradley. So we will take just a brief recess and then we will return. Senator Murkowski will commence the questioning at that point.

We will stand in recess.

[A brief recess was taken.]

Chairman BOREN. We will resume the hearings at this point. Again, Mr. McMahon, just for the record, you do understand that you are still under oath as you answer this questions.

Mr. McMAHON. Yes, sir. I do.

Chairman BOREN. Thank you very much. We will turn now to the Vice Chairman, Senator Murkowski, for his questions.

Senator MURKOWSKI. In your statement you made a reference to Casey not wanting to be on his back, or some such thing. It caused me to wonder just what kind of a loop you were involved in in association with Casey as his Deputy. I assume that loop was rather informal and sometimes you are in the loop, sometimes you are out of the loop?

Mr. McMAHON. That's right. I think Bill Casey and I have had a very excellent relationship. I have tremendous respect for Bill Casey. I think he was a marvelous individual who has done a tremendous amount for the intelligence posture in the United States. And unfortunately in hearings such as this, no one gets the opportunity to really praise what Bill Casey has done. He has done a great service to his country. And I'm sorry that he'll be remembered for these kind of aberrations to a fantastic career.

Bill and I would argue. We sometimes disagreed, but on issues that really counted, I think we were pretty much in concert except

for one or two. I had a relationship where I could go in and sit on a meeting if Bill had it. He had a number of programs that he was interested in. And I felt that there was no need for two of us to try and drive that same train. So I wouldn't bother sitting in. If I knew he was handling something, he would handle it. He would have a number of meetings with outsiders or with American businessmen, and I had never felt that I wanted to sit in on those or know what he was doing.

At one point in time he did indicate that he wanted to build our non-official cover program. And he was exploring this with a lot of American businessmen who had activities overseas. And at one point in time where he thought he had had enough commitment, he came to me and said, John, I want you and I to run this. He had singled out a couple of officers in the DDO to help him do that. And I said, Bill, neither you nor I have time to run this operation correctly, and I don't want to have anything to do with a hip-pocket operation. Put it down within the DDO Division that has responsibility for non-official cover. And he thought for a while, and said okay.

Now, he still stayed on top of that, but it was then institutionalized in the organization.

Senator MURKOWSKI. So it is not unusual for a couple of Irishmen to toast or engage in some high-level conversations with their voice escalating. But I am more concerned with the nuance of how he handled the situation where he clearly did not want you involved, where he wanted you out of the loop.

Mr. McMAHON. I don't think he ever asked me to leave.

Senator MURKOWSKI. But you were either asked in, and if you were not, you took that as a sign to mean that he was going to handle it. Is that right?

Mr. McMAHON. The ground rules that I had with him was I had a copy of his calendar for the day, and I would go sit on the meetings that I thought I ought to be in on, and I didn't bother with those meetings that I didn't.

Senator MURKOWSKI. How did you know whether you ought to be in it or not if he didn't tell you?

Mr. McMAHON. I guess it probably stems from arrogance because I knew the people in the DDO, something Bob Gates didn't know, and I knew the operations going on in the Agency, something that Bob Gates didn't know, he didn't have time to get up to speed on. And maybe I just prevailed upon that background to know what I wanted to get involved in.

Senator MURKOWSKI. Well, let me move on. In November of 1985, a shipment of arms was made to Iran authorized by President Reagan. And we have been over some of this, but I want to make sure I understand it. Did Director Casey tell you about the arms shipment before it took place?

Mr. McMAHON. No, sir. Director Casey was away at the time it happened.

Senator MURKOWSKI. Now in this issue, do you consider yourself in or out of the loop?

Mr. McMAHON. I was very much out of the loop because it was an aberration, it was not an Agency operation.

Senator MURKOWSKI. You indicated that.



Mr. McMAHON. And the interpretation within the DDO was that they were just looking for a commercial airline and we offered them our proprietary. I think it was that simple.

Senator MURKOWSKI. Do you recall how you learned about it?

Mr. McMAHON. Yes. Monday morning I went into the assistant DDO's office that I do every morning, and he said, did you hear what happened. And I said what do you mean. And he then explained what happened. and from there on we got the Finding.

Senator MURKOWSKI. At any time before you resigned from the CIA, did you personally notify Congress of the January 17, 1986 Finding?

Mr. McMAHON. No, sir, I didn't and I was directed not to by the President of the United States within the legal authority that Congress vested in him in the statute.

Senator MURKOWSKI. That was by the Finding.

Mr. McMAHON. That's correct, sir.

Senator MURKOWSKI. Did you believe either the December 5, 1986 Finding or the January 17, 1986 were illegal as some have alleged in this hearing process so far?

Mr. McMAHON. No, not at all.

Senator MURKOWSKI. Would you care to elaborate a little bit because this is a question that has been brought up by some of my colleagues and they have a little different interpretation.

Mr. McMAHON. Well, I'm not a lawyer, but I think when I received assurances that the Attorney General has agreed that it was legal and the President signed it, I'm quite content to accept that. And also, sir, if I may, our own General Counsel, whose responsibility is to protect the agency legally and make sure it does everything correct, he was the drafter of those Findings. So I think that they were legal. But I would defer to, you know, anyone who wants to challenge that.

Senator MURKOWSKI. With regard to Mr. Gate's role as head of the Directorate of Intelligence, do you have any reason to believe that he intentionally slanted the intelligence to suit the views or preconceived notions of policy makers?

Mr. McMAHON. No, sir, from two factors. One, if it happened during my tenure, I wouldn't have let it happen. Number two, I know Bob Gates from his own character wouldn't do it. I can recall a number of issues where Bob Gates disagreed with the Director, and the intelligence disagreed with the Director's preordained position. Now I say preordained because Bill Casey had a policy bent to him. You can't deny that. But he also had an open mind. And if you could give him evidence to the contrary, he was a big enough man to accept that.

You may recall there's been a lot of publicity in times past about the famous Mexican Finding. Bill Casey wanted that Finding, or that Estimate—the Mexican Estimate—Bill Casey wanted that Estimate to read that Mexico was falling apart and was going to be a disaster down there.

The intelligence we had, which had to come through Bob Gates did not sport that and at no time, even as the intelligence flowed out, it went out to the Community, at no time did Bill Casey stop that flow.

And Bob Gates was sitting there at the throttle and you may recall that we then went through a torturous estimative process. The Estimate was argued through four drafts just within the National Intelligence Office.

It then came out, went on the street and we had eventually nine drafts before it was finally published, and in an unprecedented fashion, we had two NFIB meetings on it. And the reason for it was no one in the Community could really agree and that is not surprising because no one in the policymaking audience could agree.

The Administration was divided. Some felt that it was going to be an Iran South, others thought that it was just going to struggle along in spite of the financial crisis, the political corruption that had existed prior to de la Madrid coming in there. It was a very difficult Estimate to write.

It took 9 months, and yet I talked personally as late as 2 days ago with the analyst that was responsible for drafting that Estimate, and I asked him, did you ever feel political heat? He said, it was the most intellectual, invigorating experience he ever had because there were so many points of view.

Senator DECONCINI. Could we have the name of that analyst?

Mr. McMAHON. Pardon?

Senator DECONCINI. Is there any reason why we can't have the name of that analyst?

Mr. McMAHON. I would be happy to give it to the Committee, sir.

Senator DECONCINI. It is classified or sensitive?

Mr. McMAHON. Mr. Chairman, I defer to you.

Chairman BOREN. I think it would probably be best for you to give the name to us and then let us check to see, just in case that person is undercover in some way, but we will get that. Please continue.

Mr. McMAHON. But the whole Estimate began when we had a paucity of information about Mexico and you can't believe that it is just south of us, yet we didn't have good intelligence. We had a lot of opinion, a lot of what people thought, but there was nothing hard to go on and that is why it was such a difficult Estimate to prepare.

By the end of the Estimate, after 9 months, analysts had gone down to Mexico. They contacted people down there. They went into the slums, they garnered as much information as they could so I think it came out pretty well.

But even when we went to NFIB, some folks wanted to take footnotes, and Casey said, no, you are not going to get off that easy. If you have a footnote to take, you put analysis in writing and we will put it up in the texts. So if you look at the Estimate it begins, this is what we think what is going to happen in Mexico, and then the second paragraph is, however, others say, and it is kind of just a little bit to the contrary. It is really a degree.

Some thought they would muddle through, others thought the sky was falling, and it's in that context.

Chairman BOREN. I am told that it is all right for you to name the analyst.

Mr. McMAHON. It was Brian Latell, Mr. DeConcini.

Senator DECONCINI. Thank you. Thank you, Mr. Chairman.



Senator MURKOWSKI. Let me just follow up on that, because the issue of slanted intelligence has been brought up, and you have a very objective position given your background and the fact that you are now retired.

Can you help explain to us why this is an issue? Why is the perception out there that Gates seems to be involved in slanting intelligence? Give us a little background because we don't seem to be able to get a clear evaluation of where it came from, what is keeping it alive, because we can't find any breath in the animal, and you have handled it pretty well but still it seems to be around in the minds of some.

Mr. McMAHON. Let me try two examples, Mr. Vice Chairman.

The first one begins with this famous Mexican Estimate. There was a procedural aberration. Bill Casey had hired an individual who was expert in Mexico and Central America. He then left the Agency and I beg, I don't want to give his name, all right? He left the Agency and went to the National Security Council. Bill valued his judgment and insight.

Bill took one of the drafts of the National Intelligence Estimate and gave it to him to review. That is an anathema. You don't get the policymaker writing on the Intelligence Estimate.

When the comments came back and were given to the drafter of the Estimate, he chose to take those that he agreed with and he scratched out those that he didn't agree with. So he didn't feel compelled to react one way or another. If there was a good point he accepted, if it was a bad point, he threw it out.

Senator DECONCINI. Is that John Horton, Mr. Chairman, if I could interrupt you, do you know?

Senator MURKOWSKI. He said he wished not to mention the name.

Senator DECONCINI. I mean the one that was then doing the drafting. I am not talking about the one that went—

Mr. McMAHON. Brian Latell worked for John Horton, Senator.

Senator DECONCINI. I'm asking you, you said the man that Casey had, he went on to the National Security Council—

Mr. McMAHON. Yes, that was not John Horton.

Senator DECONCINI. You didn't want to name him and I am not asking you to. Then you said the man who was getting the information started to accept some and throw some out. Was that John?

Mr. McMAHON. That was Brian Latell.

Senator DECONCINI. That was Brian Latell?

Mr. McMAHON. Right.

Senator DECONCINI. Thank you, sir. I am sorry, Mr. Chairman, thank you.

Mr. McMAHON. But that was a procedure aberration and no one in the DDI liked it. I didn't like it. I don't think anyone liked it. I didn't like it because I didn't know about it. But you don't do that in the—you don't do that in the Intelligence Community. You don't draw the policymaker in.

Now this person certainly could influence policy but it was an aberration. Now that rattles through the DDI and makes people very nervous of what is going on.

My second example centers around the famous Soviet pipeline. The Administration was very uptight on the transfer of any tech-

nology to the Soviet Union and Eastern Europe. Along came the issue of the West European nations buying gas from the Soviets.

The Soviets could lay that pipeline and do it nicely if they could get a hold of some U.S. equipment and pumps and what have, compressors. The Administration didn't want to do that, particularly from the defense side of the house. State and Commerce kind of thought it was an all right idea.

We were asked to prepare, does the U.S. equipment make the difference? Casey did not want that pipeline. He was against it because it, whatever it did, it was bad for Western Europe and it gave the Soviet Union hard money and things like that. He didn't like that.

He wanted the Estimate to come out saying, the pipeline is bad and without the U.S. technology, the Soviets can't build it. The DDI, again under Bob Gates, said the Soviets are going to build that pipeline whether you like it or not or whether you give them the equipment or not.

Bill didn't like that too much. So he took the head of the NIO, Harry Rowan and asked him to go to Europe and check it out himself. Harry went over to Europe, talked to the Europeans, did a good fact-finding, came back and said, Bill, that pipeline is going to be laid, whether you like it or not or whether it has U.S. equipment or not.

Casey at that point conceded, okay, fine, and he let the Estimate go, which the Administration didn't like, saying the Soviets are going to build that pipeline with or without the United States' help. Now there is a back-drop to this going on in Europe and that is at a higher policy level between U.S. policy and Western European policy.

The pipeline is just one thing in that. And the reaction out of the President at the time was to say, I am going to impose sanctions. We are not going to let anything go to the Soviets. He didn't make that decision because of the Estimate or not because of the Estimate.

He made that decision because of high level discussions involving Western European and U.S. policy. The analysts, I am led to believe thought that the President made that decision because we had conveyed the wrong impression, that we said, if you stop the pipeline, it won't happen.

And they got upset because they thought that Casey on the side was taking the intelligence and saying the wrong words to the President. And so it was mixed up and a number of the analysts feel we didn't take a hard enough position. So they then conclude that it has been politicized, but the President made his decision quite apart from CIA or what Casey wanted or didn't want.

And it is things like that that cause uneasiness within the DDI, but to me they are misperceptions and I can't sit here and tell you that I did a job as DDCI if I tolerated for one iota politicization of any piece of intelligence, and I do also know that there are 2,000, at least, analysts in the DDI who would be headed by Bob Gates, walking out the front door if they thought that the CIA was going to become a policy tool of any Administration, whether Republican or Democrat.

It goes to the very fiber of the intelligence process. Intelligence has to be impartial and call it what it is, whether the Administrations like it or not.

Senator MURKOWSKI. The last question is based on your experience and the fact that you have served in the position that Mr. Gates served in. Assuming Mr. Gates is confirmed, what would be, in 30 seconds, your advice, your best advice to him?

Mr. McMAHON. I would urge him to relocate to northern California.

[General laughter.]

Senator MURKOWSKI. Senator Byrd will be happy to hear that.

[General laughter.]

Senator MURKOWSKI. I don't know about John Warner here though, but thank you very much.

Mr. McMAHON. I don't mean to be a wise guy, Mr. Vice-Chairman, but I think Bob doesn't need my advice at all. I think he can take this ball and run with it very easily. He knows what has happened in the world. He knows there is change. He knows he has to change how we look at things, and I am sure he will be up front doing that.

Senator MURKOWSKI. Thank you, and I think Senator Warner needs a glass of cold water.

[General laughter.]

Senator WARNER. No. I am just going to tell Senator Nunn, there is a new way to run a committee around here and he and I better wake up.

[General laughter.]

Senator WARNER. Let's just pick right up. This has been an important line of questioning by the Vice Chairman because you were getting the picture of this man whom our President has selected.

When you were his boss, there were times when you disagreed with him, did he fight back?

Mr. McMAHON. Well, I think it is more that he disagreed with me, but he held his guns pretty well. But Bob and I see the world through the same colored glasses. I don't think we had many arguments on issues.

Senator WARNER. Let's go back to the question of when you worked for Bill Casey. Bob Inman started as first Deputy. You filled in for a very important period of 4 years and then, of course, Bob Gates, and it is obvious that during the period with Bob Gates, he was in declining health, whether he knew it or acknowledged it.

Mr. McMAHON. Yes, sir.

Senator WARNER. Bill Casey, the Casey I remember during the campaign and when he first came in was a good, tough man, cut out of the old mold of the OSS and Wild Bill Donovan and others.

Tell us a little bit about Bill Casey's management style when you were there and the management style that we have heard in the testimony here in the last 2 days? Was there a difference?

Mr. McMAHON. I don't think his style changed that much. I don't think he had a blueprint by which he dealt with deputies. As I mentioned earlier, I had come from the DDO. I spent almost 4 years at the DDO, so I had an advantage over Bob Gates. I knew people. I knew the operations.

But Bill's attitude was that he wanted to go talk to the people—where the tire was meeting the road. He wanted to talk to the people who were writing the intelligence or running the operations and he relied on them to keep their chain of command advised as to what he was doing.

Senator WARNER. Were there periods when you were working for him that he cut you out of the chain, went right to the person and the programs, about which you knew very little?

Mr. McMAHON. He wouldn't, I don't feel, ever cut me out. He would go talk, to whomever he wanted, and as I mentioned earlier, I would have his calendar and I would sit on the meetings that I wanted to sit on. I knew the people who were going to those meetings with Bill and so I knew what the subject matter would be and I would sit in and he never invited me out, and if I didn't want to sit in, I didn't sit in.

It is not a question of whether it is this secret or that secret. I think there is enough work to do for two gainfully employed individuals who want to work 13 hours a day and you just don't have time to double up all the time.

Senator WARNER. I think you have covered this in other questions, but unfortunately I have had to come and go, so cut it short if you have, but there were times when the judgment of Bob Gates in his DDI position were at variance with the Administration's and he stuck to his guns.

Mr. McMAHON. Yes, sir.

Senator WARNER. You have made that point and covered that, is that correct?

Mr. McMAHON. That is correct.

Senator WARNER. And you have given this Committee examples of how he did that.

Mr. McMAHON. That is correct, Senator.

Senator WARNER. What do you believe is Bob Gates' knowledge of the Intelligence Community? Does he have the grasp of Community issues necessary to redirect U.S. intelligence?

Mr. McMAHON. I think he has a perspective that few would-be Directors have. He not only has spent time as a Deputy in CIA and as Deputy in the Intelligence Community, but he's also been the Acting Director running those functions. Equally important and possibly more important, he's been a consumer. He's been a user of that intelligence, so he knows what organizations produce the right kind of intelligence, and what organizations could be improved. So I think he understands that.

Senator WARNER. And in that capacity he'll have to relate to the DIA and ISA and others?

Mr. McMAHON. Yes, sir.

Senator WARNER. And you feel that he is fully competent to do those things?

Mr. McMAHON. I have the utmost confidence.

Senator WARNER. Mr. Chairman, that covers most of my questions, and I thank the witness.

Chairman BOREN. Thank you very much, Mr. Warner. Senator Gorton.

Senator GORTON. I simply want to start, Mr. McMahon, by asking you a question that I think you may have just answered for

Senator Warner. But I'll try to put it a little bit differently. When you were in senior management, right on up to the number two position at CIA, do you believe that you were aware of everything that was going on in the agency?

Mr. McMAHON. You can't know everything every day. What you do is try to know when it starts, who's doing it, what the framework is, and periodically punch into it. But once we had an operation running, I didn't get daily reports of what was happening. You just can't do that. The world's too big. So you get a Finding, you fight to get that approved, you get it approved, you brief Congress, you know that the institution can run it, and off they run.

And usually the Deputies or the Division Chief are smart enough to give you an input when it's pertinent. You have access to papers, but there's no way anyone can stay on top of what's going on in CIA every day of the week.

Senator GORTON. I am not sure whether you were here this morning, one of my colleagues asked whether or not Bill Casey would have known an organization chart if he tripped over it. And I think Mr. Fiers' answer was well, he might have known what it was, but he certainly would not have paid any attention to it. Is that an accurate description of the way you have talked about his management style of dealing directly with operations?

Mr. McMAHON. I think that's accurate, Senator Gorton. He felt it was up to the individuals he talked to to keep their bosses advised. He didn't want to run down through the chain of command and wait for the answer to come up. He'd either pick up the phone or call the person up to his office.

Senator GORTON. Is that a management style which to the best of your knowledge differed from the management styles of both earlier and later DCI's?

Mr. McMAHON. Yes, in a way I think so.

Senator GORTON. Others paid more attention to the chain of command, I take it?

Mr. McMAHON. I think Admiral Turner, before him, being a good Navy man was very attuned to the chain of command, but he was not beyond calling analysts in or talking to them or the Ops people, he'd just make sure he had a room full of all the right people. He recognized and abided by the chain of command.

Senator GORTON. Now, I'd like to go back to your very brief opening statement here this afternoon in which you warmly endorsed the President's nomination of Mr. Gates for the DCI position. As far as I could hear listening to your statement, it was unequivocal. You, I believe, feel that you have a thorough knowledge of both Mr. Gates' character and of his competence and of his ability. And I wonder if you will expand a little bit on that endorsement and tell us why, you know, what qualities of character and competence, and ability to learn and to grow, go in to that recommendation that you made to this committee.

Mr. McMAHON. He's a very quick study. He has tremendous grasp of what's going on in the world. He, of course, studied on the Soviet Union, but in his time in the DDI and his time in the White House serving under four presidents in a role within the National Security Council or Adviser's Office, he had an appreciation of world events tied into policy formulation. And with that compe-

tence and that background, he brought in a depth and an insight into what was needed in the form of how intelligence was presented.

And so I had the greatest admiration not only for his schooling and experience, but also for his native intelligence.

Senator GORTON. That goes to competence. How about the character and ability to grow?

Mr. McMAHON. I admire Bob Gates. The fact of his ability to grow, he has to be a weed because he has come up through the ranks so quickly as a very young man, and he has been able to handle every job given to him with a fair degree of ease. And I think that the greatest compliment he can have is have the number of Presidents who have sought his tenure in their personal National Security Council. And I think Bob has a tremendous amount going for him, and he can lend a great deal to the intelligence posture of this nation.

Senator GORTON. Do you trust him?

Mr. McMAHON. You bet your life. I bet my life.

Senator GORTON. Thank you, Mr. Chairman.

Chairman BOREN. Thank you very much. Senator Cranston.

Senator CRANSTON. Thank you, Mr. Chairman. I welcome you from Northern California.

Mr. McMAHON. Thank you, Senator.

Senator CRANSTON. In answering questions today, you said that you had open access to Bill Casey and to his daily schedule, and could sit in on any meetings you chose to. You'd look at the schedule and go if you wanted to. Gates, on the other hand, seemed to have a more arm's length relationship. Do you think that is attributable to the differences in your backgrounds. Gates being an analyst and you coming from the Operations Directorate?

Mr. McMAHON. I don't think Bob had an arm's length relationship with Casey. I think there may have been some Casey meetings Bob didn't go to because he wasn't sure what they were about. I can't speculate as to why Bob did or didn't go to meetings, but I know that I'd had a definite advantage because I had served in all Directorates in the Agency, and Bob had only served in one. So there was a 4 to 1 advantage right there.

Senator CRANSTON. So far as you know, were you kept deliberately from knowing about any operation or any other matter going on, other than Iran-Contra?

Mr. McMAHON. Not that I know of, Senator. I can't say that I knew everything going on in CIA, but I don't recall any operation I learned about afterwards.

Senator CRANSTON. And I presume you didn't try to know everything going on.

Mr. McMAHON. You just can't. It's impossible, sir.

Senator CRANSTON. This morning, Senator DeConcini raised an issue concerning the collection of private conversations between the Sandinista Government and people and Members of Congress. Mr. Fiers confirmed that such information was collected, although the target of the collection was the Sandinista Government, not Members of Congress, not Americans. Were you aware of those conversations?



Mr. McMAHON. No, I wasn't. In fact, I hastened after this morning to find out when all that happened. And Alan Fiers said that I had gone. I do know that there are always incidents where American information comes into our hands, but usually we unload that to the Attorney General or the FBI.

And to help Senator Bradley's concern, I know of no dossiers on any Members of Congress. That would just be horrible and it's not our bag, we wouldn't do that.

Senator CRANSTON. In the normal course of events, how would that information be disseminated, and to whom?

Mr. McMAHON. Well, I think in the case, if we had information on a Member of Congress, we would probably turn it over—if it were other than the normal, what I'll say law-abiding activity, it would just be scrubbed, it wouldn't go any place. If it looked like there was a crime involved, then that would probably be referred to the FBI. I know of no instance where that was the case, Senator. But that would be my gut instinct.

Senator CRANSTON. Thank you very much. I have no further questions.

Chairman BOREN. Thank you very much, Senator Cranston. Senator Rudman.

Senator RUDMAN. Mr. McMahon, I want to thank you very much for your testimony. I think the questions of the Committee have been excellent and they are to the point. All the ones that could be asked concerning the nominee, I think, have been asked. I appreciate your candid testimony today. And I have no questions.

Chairman BOREN. Thank you, Senator Rudman. Senator DeConcini.

Senator DECONCINI. Mr. Chairman, thank you very much. Mr. McMahon, just following up on Senator Cranston's questioning, you indicate you did not think there was any so-called reports kept on Members of Congress. Do you dispute this article in the New York Times that talks about reports being kept on Congressman Barnes, and the fact that Mr. Barnes was a leading opponent of aid to the Contras and on the Foreign Affairs Committee? In an interview, Barnes said that Mr. Casey told him late in 1985 that the Central Intelligence Agency had obtained communications between the Nicaraguan Embassy and the Foreign Minister of Managua.

The communication outlined a conversation between Victor Johnson, the Staff Director of Mr. Barnes' Subcommittee and representatives of the Sandinista Government. Mr. Barnes testified briefly about this incident during Oliver North's criminal trial in 1989. He insists that Mr. Johnson had nothing to divulge.

Now, you were not aware of any such reports ever being kept on any members of Congress or made on any Members of Congress?

Mr. McMAHON. No, sir. I don't recall that report that you're referring to there. And during my tenure, I can't even imagine that there were any reports kept on Congress. If we received information incidentally, then it was treated as an incidental information.

Senator DECONCINI. If we showed you any reports that we have, would you be glad to look at them and see if you've seen them before?

Mr. McMAHON. Well, as I mentioned earlier, when this came up this morning, I was quite surprised by it and I inquired on it. Alan

Fiers indicated to me that I wasn't involved in that and hadn't been there at the time. But I understand that the CIA is now pulling that information together and will provide that to the Committee whenever it can.

Senator DECONCINI. Is it possible that Director Casey might have done this and kept you out of the loop?

Mr. McMAHON. No, because this wasn't CIA information. This information, as I understand it, came in from other agencies.

Senator DECONCINI. I don't know.

Mr. McMAHON. As I understand it came into CIA.

Senator DECONCINI. I don't know where it came from.

Mr. McMAHON. I'm not privy to it, Senator.

Senator DECONCINI. And I am not either.

Mr. McMAHON. And I'm just telling you what I learned over lunch time.

Senator DECONCINI. Okay. Also, Mr. Fiers said that he was in a meeting with Mr. Casey about a policy manual that was—

Chairman BOREN. Senator DeConcini, let me interrupt for just a minute on the last point. It is our initial information that it came from another Federal agency, and it was not targeted on Members of Congress, but on other targets which then later ended up collecting some information about contacts with Members of Congress as well and the Sandinista government.

As I said this morning, we have requested full information from both agencies involved, not only from the agency which originally came into possession of this information, but also from the Central Intelligence Agency, just in terms of what was turned over to the CIA, what they had in their files, what they did with it, the whole matter. Of course, we cannot go into the sources and methodology of how this information might have come into their being in their possession in open session, but we should have all of that information.

I will make sure that not only that you see it, but that every Member of the Committee sees it.

Senator DECONCINI. Mr. Chairman, I understand that. Staff has advised me that they have some of that.

Chairman BOREN. We have a partial report. But we have gone back just to make sure that we are absolutely certain to get it all. Hopefully it will be before us, and we will be able to look at that in our closed inquiry.

Senator DECONCINI. Thank you. Thank you, Mr. Chairman.

Mr. McMahon, Mr. Fiers today said he was in a meeting where Mr. Casey was very concerned about a policy manual that had been written. I do not remember when the time was. It was before 1986 to my recollection, in the course of that Mr. Casey said that the polls were showing that Ronald Reagan had lost 6 points because of this, and it was very political. Mr. Fiers says he remembers that very well and admits—or maybe this is my paraphrasing—that was somewhat of a weakness of Mr. Casey, and you have just told us that you don't think there was ever any politicizing in the CIA under Mr. Casey. Do you stand by that?

Mr. McMAHON. I sure do. I don't think that there's a sequitur there at all. I think that the fact that the Agency screwed up and did a dumb thing and the President's polls drop—



Senator DECONCINI. You think that's a very proper thing to be telling the head of intelligence that—or the Deputy head, or whatever Mr. Fiers was, the polls are down and we have got to do something about this policy to change it.

Mr. McMAHON. I wouldn't subscribe to that approach at all, Senator.

Senator DECONCINI. What approach?

Mr. McMAHON. What Mr. Casey said. I just don't think that's proper.

Senator DECONCINI. Thank you. You discussed the Mexico review. You were the Deputy when that was done? That was 1984. Is that correct?

Mr. McMAHON. Yes, sir.

Senator DECONCINI. And correct me now. That particular effort was put together primarily by Mr. Horton? Do you recall?

Mr. McMAHON. John Horton was the NIO for Latin America and Brian Latell, who worked for him, was commissioned to prepare the Estimate.

Senator DECONCINI. Can you reconstruct for me that analysis? Did it not say that there was a 1 in 5 chance of the country going under? Did it also fail to say and to stress the significance of the corruption and the drug involvement of DFS personnel? Is that a fair analysis?

Mr. McMAHON. I don't remember the total context of the entire Estimate. What it did indicate, the emphasis of it, was that the Mexican Government will probably muddle through this crisis by giving a little, relaxing a little, and then tightening up where they have to. The others just felt that Mexico was on the brink of total disaster. All those points were put out, I think in fact, every point you can imagine was put out in the Mexican Estimate. But if I may come back to the fact that I was talking about the politicization of intelligence when I mentioned the Mexican Estimate, and it goes to Mr. Gates' stalwart approach not to politicize anything.

Because that Estimate was generating so much heat and so much controversy, he had his special assistant, who's an economist, and assigned him with two other analysts to prepare their own personal views, so to speak, of the Mexican situation.

Senator DECONCINI. Is that the footnote?

Mr. McMAHON. No, no, no. This was a separate document, a separate, independent study, quite separate and apart from the estimative process.

Senator DECONCINI. Was that after the estimative process was finished and disseminated?

Mr. McMAHON. No, it was when it began. And he promised them that they—not when it began, during the course of it when it was so heated—and he promised them that he would publish the conclusions that they came to.

They came to the conclusion that they, by that point in time, had had the benefit of the entire Estimate. They came to their own conclusions which was slightly different than the Estimate. And it was published. And Bob had it sent to all the holders of the Estimate who had received the Estimate to start with, so they had the benefit of the study.

Senator DECONCINI. I am confused.

Mr. McMAHON. Yes, sir.

Senator DECONCINI. This draft, as I'm told, described Mexico as perilously close to revolution and that there is a 1 in 5 chance during the next few years internal and external pressures would result in the political destabilization of Mexico well and good. Horton disagreed with the Estimate because it could not be substantiated by intelligence while Mr. Casey was supportive and pushed for these findings in the final draft. Do you disagree with Mr. Horton's statement of what he told our staff?

Mr. McMAHON. Well, I think you have to look at the whole picture. What Casey did at the National Foreign Intelligence Board was ask each member to give his opinion of what he thought the chances would be of the four or five different possible conclusions.

Senator DECONCINI. That is not my question. Did the statement, the statement that went out, did it have this 1 in 5, and did it not go into the corruption of the DFS forces and the drug dealing? That is my question.

Mr. McMAHON. If I recall, Senator, there were several statements. The dissenting views were incorporated in the body of the text.

Senator DECONCINI. Are you sure about that?

Mr. McMAHON. Yeah, paragraph one says one thing and paragraph two says however, others feel something else.

Senator DECONCINI. I am under the impression that that is not the case, that the Estimate that went out failed to have anything in it about drugs and the DFS—

Mr. McMAHON. I don't recall the drugs in DFS, but I do know there were dissenting opinions in the Key Judgments.

Senator DECONCINI. Okay, Mr. McMahon. Let me touch on another thing. Another question relates to an issue I expect we are going to raise with Mr. Gates, and that is the intelligence assessment on the Papal Assassination. There was a big article in the paper today that touched on it at some length in the Post.

I am not looking for any answers that involve details of this classified report, Mr. McMahon, and I want that very clear. It has been reported to this Committee that prior to the drafting of the 1985 assessment, a meeting was held, chaired by Director Casey, in which you attended along with Bob Gates and Douglas MacEachin, is that true?

Mr. McMAHON. Yes, sir.

Senator DECONCINI. Mr. Casey supposedly expressed his view that the Soviets were behind the attempted assassination of the Pope. You reportedly disagreed with that. Bob Gates suggested that the Soviet Analyst Division draft an assessment that lays out a specific case from the perspective that there was Soviet involvement. Was there such a meeting and is that a correct characterization of what occurred at the meeting, and if not, would you correct it, please?

Mr. McMAHON. Yes, sir. I don't recall any specific meeting. There may have been, or there may not have. But the pertinent point is did we have intelligence that could demonstrate that the Soviets shot the Pope. The unequivocal answer is no, we did not.

Now everybody in Washington, including Bill Casey, wanted to hang this on the Soviets. It would have been great.

Senator DECONCINI. What do you mean, everybody in Washington?

Mr. McMAHON. It would have been great news if we could prove that the Soviets were in back of a plot to shoot the Pope.

Senator DECONCINI. Can you be a little more specific? By everybody, you don't mean everybody, you mean everybody in the Administration of Ronald Reagan? Is that what you mean?

Mr. McMAHON. I think people that didn't like the Soviets wanted that.

Senator DECONCINI. Okay.

Mr. McMAHON. Again, we began the Estimate to look at what intelligence we had. And we found that we had no intelligence to support that one way or the other. However, there was a book written on the Soviet involvement and Casey was very persuaded by that book. And so he kept beating back on the DDI saying, you know, there has to be something to it.

It ended up with Casey having the DDI prepare virtually a line-by-line refutation or support to each line in that book.

Senator DECONCINI. Well, that is very good, Mr. McMahon, but it does not get to my question. Did Mr. Gates at the meeting suggest that the Soviet Analyst Division attempt to draft the specific case implicating the Soviet Union?

Mr. McMAHON. I don't recall that happening and I doubt it. And if you look at the end result, CIA came out and said no smoking gun.

Senator DECONCINI. Fine. That's good. I am not interested in that. What I want to know is whether you are saying no to my question. He did not—you do not remember him doing that.

Mr. McMAHON. No, I do not remember him doing that.

Senator DECONCINI. That is all I really wanted to know on that subject matter. Likewise, in the area of the Mexico, going back to the 1984 Mexico draft, was Mr. Gates involved in that? And to your knowledge, did Mr. Horton come to Mr. Gates, or did he come to you, with a disagreement as to the draft?

Mr. McMAHON. He did not come to me, but I have to assume he went to—

Senator DECONCINI. He says he came to Gates.

Mr. McMAHON. He went to Gates, yes.

Senator DECONCINI. Then he says he came to Gates and that Gates ignored him and put out the draft anyway. Do you believe that or do you have any reason—

Mr. McMAHON. I don't have any reason to disagree with that. The only thing I have to say is the individual who drafted it, who worked for Horton, didn't feel he was persuaded one way or the other by any pressure.

Senator DECONCINI. Well, who was responsible, Mr. Horton or Mr. Latell?

Mr. McMAHON. Well, Latell was the drafter, Horton was his boss.

Senator DECONCINI. And so Horton took responsibility for the final draft of saying he approved it or disapproved it.

Mr. McMAHON. Right.

Senator DECONCINI. My time is up, Mr. Chairman.

Mr. BOREN. If you have any other questions, feel free to go ahead.

Senator DECONCINI. Well, I could pursue this for some time because, do not take this personally, but you would be a great witness, Mr. McMahon, if you were my expert witness in a civil case, and I wanted to draw it out as long as I could. I say that with the greatest respect because I am looking for some answers and they may not be as hostile as you may think they are towards Mr. Gates. I just cannot get answers from you where I did from Mr. Fiers, and quite frankly, it was very helpful to Mr. Gates.

But I must say your answers are so convoluted about everything that went on, about a book and everything else, that it leaves me saying, hey, something is wrong here. This guy is so committed to Gates that he does not want to answer my questions yes or no, even if there may just be a tempering of Mr. Gates. So I am not going to waste my time.

Mr. McMAHON. Senator, when was the date of that estimate?

Senator DECONCINI. 1984, I believe. Just a minute, I will give it to you. 1985.

Mr. McMAHON. All right. I have been out of Government in the civilian world since March of 1986. And I think it is a little bit unfair of you to think that I ought to remember all the details to the questions you're asking me that happened some 6 years ago.

Senator DECONCINI. Well, let me just respond, Mr. Chairman, if I can. I think if you want to come here and convince this Committee that Mr. Gates is the man for this job, and that you are prepared to come here as a witness for him, for his credibility, when you know very well that he is under some hard scrutiny, I would think maybe you would refresh your recollection instead of coming in here and blowing this guy up like some hero, and then whenever you are asked a direct, specific question, you say, well, I have been out of Government for 6 years, that is a nice cop-out, Mr. McMahon.

Mr. McMAHON. Well, I have failed in convincing you, Senator, and that's my fault.

Senator DECONCINI. Thank you, Mr. Chairman. Thank you, Mr. McMahon.

Senator CHAFEE. Well now, wait a minute, Mr. Chairman, I do not think he has had an answer to every question that I have been out of government for 6 years, he has mentioned that once. So I think we ought to get the rule straight here. And he has given illustration after illustration of how he thought Mr. Gates was forthright and stood up on Estimates. And so I think to characterize the witness is dodging behind forgetfulness when it came to tough questions is an improper characterization of the witness.

Chairman BOREN. We will all, when we have heard all the testimony, have full opportunity for normal, friendly debate in which the Members of this Committee engage with each other. I think it would be appropriate for us to wait until that time.

I will say this, however, and I do want to point this out to my colleague from Arizona, that the Committee requested Mr. McMahon to come to testify since he is the former Deputy Director. We also requested his immediate predecessor as Deputy Director, also, to testify. We thought it would be helpful to us since Mr. Gates oc-

cupied that position, to have both other persons who served under Mr. Casey as Deputy to come before us. So I do want it known that he did not contact us asking to come. We did request Mr. McMahon's presence.

Senator DECONCINI. Well, Mr. Chairman, if I may ask, he was asked as a friendly, supporting witness, was he not?

Chairman BOREN. He was asked to come as the previous Deputy Director of CIA. But he certainly made no secret here today of his—

Senator DECONCINI. So we did not know before that that he was coming as a supportive witness?

Chairman BOREN. He was not asked to come as either a supporter or a detractor. He was asked to come as a former Deputy Director, and he has been very clear as to his own position.

Senator DECONCINI. Thank you for clarifying that, Mr. Chairman.

Chairman BOREN. I would just point that out because we did request him to come rather than vice versa.

Mr. McMAHON. Thank you, Mr. Chairman.

Chairman BOREN. Senator Metzenbaum.

Senator METZENBAUM. With this prior discussion, Mr. McMahon, and your mention of northern California, what do you do now?

Mr. McMAHON. I am the president of Lockheed Missiles and Space Company.

Senator METZENBAUM. Lockheed Missiles and Spacecraft?

Mr. McMAHON. In Sunnyvale, California.

Senator METZENBAUM. Mr. McMahon, in May 1985 an Estimate on Iran was published that recommended Western arms sales as a means of countering possible Soviet inroads there. This Estimate, frankly, is both alarmist and, in addition, it was wrong.

When Bob Gates was asked about the Estimate in 1987, he wrote to this Committee as follows, and I quote: "There were no dissents to the Estimate from any agency. The independence and integrity of the intelligence process were preserved throughout." Two days ago, however, Gates finally admitted that he had acted personally to stifle dissent on this Estimate.

Now you were in that Agency in a responsible position, Deputy Director, for some period of time. Should we not worry about somebody who would suppress dissent in an Estimate and then claim for 4 years that there was not any, and come before this Committee and admit that he had acted personally to stifle that dissent? Would that not concern you?

Mr. McMAHON. I wouldn't subscribe to that department, Senator.

Senator METZENBAUM. What?

Mr. McMAHON. I wouldn't subscribe to anyone doing that.

Senator METZENBAUM. Thank you. Senator Rudman posed a question this morning, whether Mr. Gates is "intellectually tough." It was no secret that William Casey considered the Sandinista government to be the door of a Communist takeover in Central America and a threat to the stability of the United States of the highest order.

In December 1984, Bob Gates wrote a memo to Mr. Casey that I would like to introduce in the record at this time, Mr. Chairman. Chairman BOREN. It will be received.

[The information referred to follows:]

C 5073

14 December 1984

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by [unclear] ddk 11 Dec.

MEMORANDUM FOR: Director of Central Intelligence

FROM : Deputy Director for Intelligence

SUBJECT : Nicaragua

1. It is time to talk absolutely straight about Nicaragua. To recap where we are:

- Based on all the assessments we have done, the Contras, even with American support, cannot overthrow the Sandinista regime. Whatever small chance they had to do that has been further diminished by the new weaponry being provided by the Soviets and Cubans.
- The Soviets and Cubans are turning Nicaragua into an armed camp with military forces far beyond its defensive needs and in a position to intimidate and coerce its neighbors.
- The Nicaraguan regime is steadily moving toward consolidation of a Marxist-Leninist government and the establishment of a permanent and well armed ally of the Soviet Union and Cuba on the mainland of the Western Hemisphere. Its avowed aim is to spread further revolution in the Americas.
- The FDN has been denied American assistance. Without further assistance by February, all the information we have suggests the Contras are going to begin heading into Honduras. The Hondurans will then be faced with some 12,500 armed fighters (whom the Hondurans see as closely allied with Alvarez, thereby potentially unsettling Honduras itself).
- Flight of the Contras into Honduras will be followed not only by their families but presumably by a second wave of refugees and others who, seeing abandonment of American efforts to force the Sandinistas to alter their regime, will see the handwriting on the wall, determine that their personal futures are in peril and leave the country. It is altogether conceivable that we could be

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looking at an initial refugee wave from Nicaragua over the first year of 150,000 to 200,000 people (the ~~entire~~ of the Contras alone could account for 50,000).

Failure of the United States to provide further assistance to the resistance and collapse of the Contra movement would force Honduras to accommodate to the Nicaraguan regime. One result of this would be the complete reopening of the channels of arms support to the Salvadoran insurgency, thereby reversing the progress made in recent months.

These unsettled political and military circumstances in Central America would undoubtedly result in renewed capital flight from Honduras and Guatemala and result in both new hardship and political instability throughout the region.

2. These are strong assertions but our research as well as the reports of our people on the spot (for example our COS in Honduras) make it possible to substantiate each of the above points.

3. What is happening in Central America in many ways vividly calls to mind the old saw that those who forget the past are condemned to repeat it.

- In 1958-60 we thought that we could reach some sort of an accommodation with Castro that would encourage him to build a pluralistic government in Cuba. We have been trying to do the same thing with the Nicaraguans, with the same success.
- In Vietnam, our strategy consisted of a series of measures applied very gradually and over a long period of time. With each step of new US involvement the gradual approach enabled the enemy to adjust to each new turn of the screw so that by the end of the war, even in the face of the most severe bombing, the Vietnamese had developed enormous tolerance. Half measures, halfheartedly applied, will have the same result in Nicaragua.
- In 1975, the United States President announced that American assistance to UNITA in Angola was in the national interest of the United States and strongly urged the Congress to support military assistance to that group. The Congress turned it down, thereby not only proving that the United States would not involve itself in any significant way in the Third World to combat Soviet subversion and activity but, moreover, that the Congress could effectively block any moves the President did wish to make. The Roland Amendment and the cutoff of aid to the Contras is having the same

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effect again, showing the Soviets and our Third World friends how little has changed in nine years, even with a President like Ronald Reagan.

In a variety of places, including Vietnam, negotiations in effect became a cover for the consolidation and further expansion of Communist control. While they might observe whatever agreements were reached for the first weeks or as long as American attention (particularly media attention) was focused on the situation, they knew they could outlast our attention span. Usually within a relatively short period of time they were openly violating whatever agreements had been achieved.

4. The truth of the matter is that our policy has been to muddle along in Nicaragua with an essentially half-hearted policy substantially because there is no agreement within the Administration or with the Congress on our real objectives. We started out justifying the program on the basis of curtailing the flow of weapons to El Salvador. Laudable though that objective might have been, it was attacking a symptom of a larger problem in Central America and not the problem itself.

5. It seems to me that the only way that we can prevent disaster in Central America is to acknowledge openly what some have argued privately: that the existence of a Marxist-Leninist regime in Nicaragua closely allied with the Soviet Union and Cuba is unacceptable to the United States and that the United States will do everything in its power short of invasion to put that regime out. Hopes of causing the regime to reform itself for a more pluralistic government are essentially silly and hopeless. Moreover, few believe that all those weapons and the more to come are only for defense purposes. Only when we acknowledge what the objective is in Central America, can we begin to have any kind of rational discussion on how to achieve it. As long as one maintains the fig leaf of curtailing the flow of arms to El Salvador, all other efforts can easily be politically dismissed.

6. Once you accept that ridding the Continent of this regime is important to our national interest and must be our primary objective, the issue then becomes a stark one. You either acknowledge that you are willing to take all necessary measures (short of military invasion) to bring down that regime or you admit that you do not have the will to do anything about the problem and you make the best deal you can. Casting aside all fictions, it is the latter course we are on. Even new funding for the Contras, particularly in light of the new Soviet weaponry, is an inadequate answer to this problem. The Contras will be able to sustain an insurgency for a time but the cost and the pain will become very high and the resistance eventually will wither. Any negotiated agreement simply will offer a cover for the consolidation of the regime and two or three years from now we will be in considerably worse shape than we are now.

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the alternative to our present policy -- which I predict ultimately and inevitably is leading to the consolidation of the Nicaraguan regime and our facing a second Cuba in Central America -- is overtly to try to bring down the regime. This involves a mustering of political force and will, first of all within the Administration, and second with the Congress, that we have not seen on any foreign policy issue (apart from our defense commitment) in many years. It seems to me that this effort would draw upon the following measures:

- Withdrawal of diplomatic recognition of the regime in Managua and the recognition of a government in exile.
- Overt provision to the government in exile of military assistance, funds, propaganda support and so forth including major efforts to gain additional support in international community, including real pressure.
- Economic sanctions against Nicaragua, perhaps even including a quarantine. These sanctions would affect both exports and imports and would be combined with internal measures by the resistance to maximize the economic dislocation to the regime.
- Politically most difficult of all, the use of air strikes to destroy a considerable portion of Nicaragua's military buildup (focusing particularly on the tanks and the helicopters). This would be accompanied by an announcement that the United States did not intend to invade Nicaragua but that no more arms deliveries of such weapons would be permitted.

8. These are hard measures. They probably are politically unacceptable. But it is time to stop fooling ourselves about what is going to happen in Central America. Putting our heads in the sand will not prevent the events that I outlined at the beginning of this note. Can the United States stand a second Cuba in the Western Hemisphere? One need only look at the difficulty that Cuba has caused this country over the past 25 years to answer that question.

9. The fact is that the Western Hemisphere is the sphere of influence of the United States. If we have decided totally to abandon the Monroe Doctrine, if in the 1980's taking strong actions to protect our interests despite the hail of criticism is too difficult, then we ought to save political capital in Washington, acknowledge our helplessness and stop wasting everybody's time.

10. Without a comprehensive campaign openly aimed at bringing down the regime, at best we somewhat delay the

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inevitable. Without US funding for the Contras, the resistance essentially will collapse over the next year or two. While seeking funding from other countries to the Contras could help for a time, it is essential to recognize that almost as important as the money is the fact of the United States support both from an economic and political standpoint. Somehow, knowing that Taiwan, South Korea and Singapore are behind you does not carry the same weight. Economic sanctions surely would have a significant impact in the initial months, but unless accompanied by a broad range of other actions this impact will diminish over time and we will find ourselves with a Nicaragua even more closely attached to the Soviet Union and Cuba than we have now.

11. All this may be politically out of the question. Probably. But all the cards ought to be on the table and people should understand the consequences of what we do and do not do in Nicaragua. Half measures will not even produce half successes. The course we have been on (even before the funding cut-off) -- as the last two years suggest -- will result in further strengthening of the regime and a Communist Nicaragua which, allied with its Soviet and Cuban friends, will serve as the engine for the destabilization of Central America. Even a well funded Contra movement cannot prevent this; indeed, relying on and supporting the Contras as our only action may actually hasten the ultimate, unfortunate outcome.



Robert W. Gates

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Senator METZENBAUM. Now the memo recommends that the U.S. Government overtly try to overthrow the Sandinista government of Nicaragua, including engaging in air strikes against Nicaragua. The memo says, "Hopes of causing the regime to reform itself for a more pluralistic government are essentially silly and hopeless. Once you accept that ridding the continent of this regime is important to our national interests and must be our primary objective, the issue then becomes a stark one. You either acknowledge that you are willing to take all necessary measures [short of military invasion] to bring down that regime, or you admit that you do not have the will to do anything about the problem."

It then goes on to propose, "Among other things, the alternative to our present policy, which I predict is leading to our facing a second Cuba in Central America, is overtly to try to bring down the regime, drawing upon the following measures: . . . the use of air strikes to destroy Nicaragua's military buildup."

It goes on to say, "Putting our heads in the sand will not prevent the events that I outlined at the beginning of this note."

And later he says, "If we have decided totally to abandon the Monroe Doctrine, if in the 1980's taking strong action to protect our interests despite the hail of criticism is too difficult, then we ought to stop wasting everybody's time."

Now frankly, Mr. Gates' memo sounds like it could have come right out of William Casey's mouth. To your knowledge, was Bob Gates the ardent Cold Warrior that his memo suggests, or do you think he was playing to Casey's prejudices? What do you think about it?

Mr. McMAHON. I don't know how to answer that, Senator. I am quite surprised by what you read. And I don't know what prompted Bob to do that. I will admit that a few years earlier, probably around 1984 time frame, I felt that the Contra program was getting beyond our grasp. You referred—the Committee heard before about this pamphlet that was put out that suggested killing the officials in charge, if you take over a Sandinista are a or stronghold, and it came out of the Special Forces type arrangement,

The reason why that happened without Agency control on such a thing was that we had gone through all our manpower who had any knowledge on how to run the way, and we were reaching to recruit people out of Special Forces or retirees from the Special Forces, and use them to do the job of trying to run what is now a fairly large scale war. It had exceeded our capacity as an institution. And that's when one begins to get very ragged operations like that stupid pamphlet.

And what I proposed, first with Bill Clarke, the President's National Security Advisor, was that we turn the program over to the Pentagon. And he then said, well, go talk to Schultz and to Cap Weinberger. I mentioned it to Schultz. He was noncommittal at the time. And I then raised it with Secretary Weinberger and he said I wouldn't touch it with a 10-foot pole. So there was no way he wanted to have a war down there. And that's why I'm somewhat surprised by Bob's memo there.

But I will say that I did have a number of comments during the course of my briefings on our program in Nicaragua with a number of members who had suggested look, if this is so important, why

don't we do it right and call out the Marines. So maybe Bob wrote it from that standpoint. I don't know. I just can't subscribe to it, Senator.

Senator METZENBAUM. I know you are here today to support the confirmation of Mr. Gates, but does it worry you that Mr. Gates was advocating the use of air strikes to destroy Nicaragua's military build up? I am not sure whether these were more covert air strikes. Does it worry you about this judgment? Do you think that he possibly was playing to Bill Casey's bias with respect to this subject? It is pretty frightening because Mr. Gates in charge of the CIA would be in a far better position to bring about the use of air strikes to destroy some other country with whom we were having difficulty. But we were certainly not at war with them.

Mr. McMAHON. I can't address what motivated Bob to do that. It's conceivable, Senator, that he wanted to lay out what our other options were. What we're doing isn't working and if you go into to do it right, then you want to escalate. But I can't really comment on that.

Senator METZENBAUM. That would be escalating it, I would say. What about the arms sales to Iran, do you think that Gates had knowledge of those arms sales?

Mr. McMAHON. Well, my knowledge, sir, is the first he knew of it was that December 5th, 1985 meeting and I know from my conversations with Bob that he did not like that activity one iota.

Senator METZENBAUM. He did not like it, you said?

Mr. McMAHON. That's correct.

Senator METZENBAUM. On December 5th, 1985, you held a meeting in your office, in which Bob Gates first heard of the new Finding on Iran arms sales. Now, Gates was head of a group that was supposed to review Findings before they went to the President.

Did he ever protest the fact that you and Casey had kept him out of the loop?

Mr. McMAHON. Well, that Finding was only approved, as the records show, on the very day we were having that meeting. So he wasn't out of the loop and the Finding was an after-the-fact Finding, so there was no way to get anyone in the loop ahead of time.

Senator METZENBAUM. Well, 6 weeks later, Gates found out that you had kept him out of the loop on the January 17th Finding as well. Gates did object to having to provide intelligence to Iran pursuant to the Finding. But once again, he was not consulted during the drafting of the Finding.

Did Gates object to this second circumvention of his authority.

Mr. McMAHON. Well, I wouldn't say that he was alone, because I was out of that loop as well. The first time that I saw that Finding was on the 24th of January, so I could sympathize with Bob being out of the loop.

Senator METZENBAUM. Well, Bob Gates has told the Committee that his most serious objection to the Iran arms sales program was the fact that Congress was not informed.

You left the CIA in about March of 1986. Did Bob Gates ever protest to you about the absence of notification to Congress?

Mr. McMAHON. What Bob did say was that he persisted in getting a copy of the 17 January Finding to make sure that it wasn't

destroyed and that, indeed, it existed and that we had something that would cover the Agency.

Senator METZENBAUM. But that is not my question. My question to you is did he ever protest to you about the absence of notification to the Congress?

Mr. McMAHON. No. But I'm sure he felt the same way I did, and you may recall that this Committee gave me the opportunity to come in and address the Committee on the merits of the 48 hour notification law, proposed law, and I supported that the Congress ought to urge the President to have a Finding process whereby the Agency would only have 48 hours to notify Congress on any given subject, without exception. And I urged the Chairman and this Committee, if I may be so bold, to go back to the board on this one. Otherwise, 5, 6, 7 years from now you're going to be having CIA employees, with their lives destroyed, sitting in front of you testifying on why Congress wasn't informed of some Finding.

Senator METZENBAUM. But that was what you were doing. My question to you is, did Gates ever protest to you about——

Mr. McMAHON. No, sir.

Senator METZENBAUM. No?

Mr. McMAHON. Not that I know of. There's no reason how he could. I was living in Sunnyvale and he's back here.

Senator METZENBAUM. Did he not work under you at one point?

Mr. McMAHON. But at the time, you've got to remember we had the 17th Finding that we didn't learn about it, Bob Gates and myself, until the 24th. He thought it was a bad idea as much as I did, and then a month or so later, I left and it was all his. What he did after I departed, I don't know.

Senator METZENBAUM. Gates has said that the reason that he did not immediately pursue Charles Allen's October 1st, 1986 concerns about the diversions was that he held back from dealing with the Operations Directorate. There was a mutual hesitancy between him and Operations, since Gates came from the Intelligence Directorate.

Do you think that is a logical reason that he held back, that he did not move forward on the Allen information, that he permitted it to go to Casey, and then it went to the lawyer and sort of got lost in the shuffle? Do you think that that respect, or that division, between Operations and Analysis is sufficient basis for him to have held back?

Mr. McMAHON. Senator, I couldn't give you a value judgment on that at all. I don't know how Bob felt. I don't know how he dealt with the DDO when he was the DDCI. I just have to defer to his own honesty and truth, and the statement that he gave you.

Senator METZENBAUM. When you were leaving the CIA, did you not brief Gates on some of the important operations and problems that he would face? Specifically, did you not explain to him the origins of the Iran arms sales program, including your November 1985 reaction to the CIA's support for the Israeli arms delivery of HAWK missiles to Iran?

Mr. McMAHON. I think by the time I left, Bob was pretty much up to speed on what was happening with the transfer of arms under the Presidential Finding. I can recall we kind of discussed what was going on in the world and the two issues that I left him

with was that he ought to make sure that our air branch people not walk out the front door without a Finding in their hand. And the second thing I urged him to do was to set up a mechanism where there could be some external review to all DDO cables, outside of the DDO, maybe the Inspector General, maybe someone in his own immediate office. But if you look at what happened in the Iranian arms transfer before the Finding, there were these cables that North and Poindexter and others were sending, using our channels, and they were kept just within the division chief's office in the DDO and the DDO himself, and if those cables were being read by an independent person responsible to the DDCI or the DCI, then we wouldn't have gotten into the mess that we're in. And that's the only advice I left with him.

Senator METZENBAUM. My last question is just a general one that I think has been asked. Mr. Fiers was talking about whether Mr. Gates knew what was going on in his universe. I think that is a phrase he kept using.

Do you think that Mr. Gates pretty generally knew what was going on, even though he did not know the details in connection with this?

Mr. McMAHON. I don't know. That time period that Alan spoke about, that aurora or atmosphere, was after I left. I just have no visibility in that whatsoever.

Senator METZENBAUM. Thank you, Mr. Chairman.

Chairman BOREN. Thank you, Senator Metzenbaum. Senator Chafee?

Senator CHAFEE. Thank you, Mr. Chairman. I would just like to refer back, if I could, to the questioning that Senator Metzenbaum was making. He indicated that Mr. Allen told Mr. Gates that he, Mr. Allen, had some suspicions and as I understood the questions from Senator Metzenbaum, were that Mr. Gates did not do anything about it immediately.

Well, I would just like to read from Mr. Allen's testimony, which is printed and which he will give here later today. This is Mr. Allen speaking: "I told Mr. Gates I was concerned about one other aspect of the Iranian initiative, the impasse over the price of the arms being sold to the Iranians. I said I could not prove it, but I thought the proceeds from the arms sales might have been diverted to support the Contras in Central America."

And then he goes on to say: "I said that I could not prove that the diversion was occurring, but my analysis indicated this could be the case. Mr. Gates appeared startled and disturbed that the White House would involve itself in such a dubious activity, but then stated that this was potentially very serious and directed that I brief Director Casey immediately. I met with Mr. Casey on October 7th."

Mind you, I believe the meeting that Senator Metzenbaum was referring to took place on October 1st. On October 7th, they briefed Mr. Casey and Mr. Gates was present at that meeting. October 13th, I wrote these concerns, pursuant to the request to have a memorandum. So I think I just want to make the record clear on that point, that Mr. Gates did not sit on his hands when he received this information from Mr. Allen.



Mr. McMahon, as I understand, you are testifying today that during the private benefactor days—and I want to get this part squared away if I can, am I correct in saying that you and perhaps Mr. Casey apparently did not want to know who was funding the Contras? Did you testify to that effect earlier?

Mr. McMAHON. Yes I did. The term private benefactor is a new one to me, and obviously come up afterwards.

Senator CHAFEE. Well, whatever it is.

Mr. McMAHON. After the Boland Amendment took place and we were denied to provide funds to the Contras, the thought around town, certainly emanating from the White House, was well, what can we do to fill the void, and so a movement was started from the White House to get private contributions and I know Casey and I stayed away from that. We didn't even want to go near it and we didn't want to know if any Americans were involved or who they were.

Senator CHAFEE. All right, fine. Thank you. Now the next question is, at the time of the shipment on November 26th, 1985 to Iran, you, as I understand it, did not know that there were HAWK missiles, nor did Bill Casey know of them, that is, that these are the shipments to Iran. Am I correct in that?

Mr. McMAHON. I think the date was the 23rd, Senator.

Senator CHAFEE. Okay, the 23rd.

Mr. McMAHON. No. We did not know that. We did not know of the shipment. Let me speak for myself. I did not know of the shipment and when I was told about it, I said, what did they send, what was it. And they said oil-drilling equipment. Now I know from recent events, everyone would think that was a wonderful cover story. Not to me it wasn't. If it were arms, I'd probably be far more tolerable, because they're a passing fancy. They're not going to turn the tide of the war. They're expendable. But the only way that Iran was prosecuting the war was through the sale of oil, and oil equipment has tremendous strategic value to Iran. So to me, that was the greatest thing short of a nuclear weapon that we could have sent. That's exactly what the Agency was told at the time. Now, there may have been some people in the Agency that knew differently and I found out later that the people flying the airplane knew it was arms. But at the time I found out, I was told that it was oil-drilling equipment and that to me was far more important, and far more deleterious than any arms.

Senator CHAFEE. And that is when you pursued the Finding?

Mr. McMAHON. And that's when I said I wanted a Finding.

Senator CHAFEE. Now, the final question I have deals with Mr. Casey and about his desk.

Could you briefly describe that. My question is going to be was it possible for somebody to lose something on his desk?

Mr. McMAHON. Senator, he had the desk of 6 professors. It was constantly paper disjointed. He knew where every paper was. He would probably have anywhere from 20 to 30 books on his desk. He'd have yellow scratch pads where he had written something all over and I guess you can best describe the desk as a zoo.

[General laughter.]

Senator CHAFEE. And it is possible for something to get lost on that, I would presume.



Mr. McMAHON. I would say I'm surprised he remembered where anything was.

Senator CHAFEE. Thank you very much, Mr. Chairman.

Chairman BOREN. Thank you, Senator Chafee. Senator Bradley?

Senator BRADLEY. Thank you very much, Mr. Chairman.

Mr. McMahon, it is good to see you again.

Mr. McMAHON. Thank you, Senator Bradley.

Senator BRADLEY. Mr. McMahon, do you recall the meeting on December 5th, 1985 at the Agency, at which you were first informed about the shipment of HAWKS to Iran?

Mr. McMAHON. December 5th was the meeting that I held and called in my office responding, as I've reconstructed it, to a call earlier in that morning from Poindexter where he alerted me to a meeting with the President on 7 December, and he had, obviously, a series of questions in tasking for me and I had that meeting to pass that tasking on and to get the action started.

Senator BRADLEY. And who was at that meeting, if you recall?

Mr. McMAHON. Bob Gates; Bob Layton, who was heading our analytical shop for the Near East; Ed Juchniewicz, who was the ADDO; and if I'm correct, a couple of other DDO officers who may be undercover and I'd like to refrain from naming them.

Senator BRADLEY. And at this meeting, this was the first time that people had heard of the shipments of HAWKS?

Mr. McMAHON. Probably some of them. I'm not sure. Well, Juchniewicz knew because he was the ADDO at the time that the program started.

Senator BRADLEY. But was it the first time that Mr. Gates had heard?

Mr. McMAHON. I think so. You know, I don't know when Bob learned it, but that to me was probably the first day he heard about it.

Senator BRADLEY. And did you also discuss planning for more shipments at the meeting?

Mr. McMAHON. It was mentioned that there would be more shipments coming, that Ollie North had contacted us about upcoming shipments.

Senator BRADLEY. And did you also discuss the need for a Finding at that meeting?

Mr. McMAHON. Someone at the meeting mentioned that the Finding was signed.

Senator BRADLEY. The Finding for the shipments was signed?

Mr. McMAHON. The Finding that I asked for back in the 25th of November was signed.

Senator BRADLEY. So this is a fairly significant meeting, would you not say. It is the first time that there is a sharing that the HAWK missiles are being sent to Iran. It is an open discussion about planning of sending more HAWK missiles?

Mr. McMAHON. Yes.

Senator BRADLEY. And it is the time at which there is a statement that we now have a Finding signed?

Mr. McMAHON. Right.

Senator BRADLEY. Obviously there was concern that what was taking place before without a Finding was a problem.

Mr. McMAHON. Right.

Senator BRADLEY. Yet, Mr. Gates says he does not remember. Is it reasonable to assume that someone who has his ability and his responsibility at a meeting where he is first informed of the shipment of HAWK missiles does not remember the meeting?

Mr. McMAHON. I don't know how to answer that. I don't know if he remembers the meeting or not.

Senator BRADLEY. As you have testified here today, Mr. Gates is a very bright man and he has in his mind, at any one time, a great amount of facts and detail, so it would stretch your imagination to believe that he would have forgotten that meeting, what happened at that meeting, if these things were so significant?

Mr. McMAHON. I would think that he had to remember the tasking he received to provide me with intelligence data, to pump me up for the meeting with the President. Whether or not he was focused on whether a Finding was signed or not, that wasn't his parish. I don't know.

Senator BRADLEY. But if you have operated around the Agency or you have heard whiffs, and this is the moment when it is confirmed by your superior that yes, HAWK missiles were sent, you would think you would remember that, would you not?

Mr. McMAHON. Maybe I have a better memory than Bob Gates on that.

Senator BRADLEY. I think you might.

Mr. McMAHON. I would suggest that that event was noteworthy.

Senator BRADLEY. Well, let me, if I could, move to an area under your stewardship. Do you feel that you fulfilled the pledges that you made to the Committee during your confirmation process as the Deputy that you would keep us informed and not misinform or mislead the Senate Intelligence Committee?

Mr. McMAHON. I think 200 percent.

Senator BRADLEY. Could you share for us, as a responsible official—which I think that you were, and the record is clear, I think—what is your understanding of the requirements of the law that limits intelligence activities to the words, intended solely for obtaining necessary intelligence, unless and until the President finds that each such operation is important to the national security of the United States? What is your interpretation of those words?

Mr. McMAHON. It goes that the Agency may only expend appropriated funds to collect intelligence. If it spends funds to do otherwise, it needs a Finding from the President that suggests—and a Directive that it is in the best interest of the national security that the Agency do the following.

Senator BRADLEY. The expenditure of any funds?

Mr. McMAHON. Yes, sir.

Senator BRADLEY. Even \$1?

Mr. McMAHON. Yes, sir.

Senator BRADLEY. Let me ask you—you left the Agency at what time? April?

Mr. McMAHON. No. It was 29 March.

Senator BRADLEY. 29 March. 29 March, 1986?

Mr. McMAHON. '86, right.

Senator BRADLEY. Do you have any concerns up until the time you left that the CIA's role with regard to Iraq or Iraqi military operations should have been legitimized by a Finding?

Mr. McMAHON. I'm not sure where you're going.

Senator BRADLEY. That is it. I cannot go any further than that question.

Mr. McMAHON. I don't think we did anything outside the law, or what we could do under the Hughs-Ryan Amendment.

Senator BRADLEY. As you have described—

Mr. McMAHON. As I have described it.

Senator BRADLEY. Today, before the hearing?

Mr. McMAHON. Right.

Senator BRADLEY. Up until the time you left?

Mr. McMAHON. That's correct.

Chairman BOREN. Would you allow me to ask one clarifying question on this at this point?

Senator BRADLEY. (Nods in the affirmative.)

Chairman BOREN. Let us not limit it to any one country. It is a common practice that we share intelligence with other countries.

Senator BRADLEY. We are not talking about intelligence sharing.

Chairman BOREN. Let me ask a question about intelligence sharing. Is it a common practice that we share intelligence with other countries from time to time?

Mr. McMAHON. Yes, sir.

Chairman BOREN. Now, has it been the practice in the Agency that generally a Presidential Finding is sought in order to share intelligence with another country?

Mr. McMAHON. None whatsoever. Sharing intelligence is a key part of our portfolio and the collection of intelligence.

Chairman BOREN. So you are saying if it is related to the collection of intelligence?

Mr. McMAHON. That's correct.

Chairman BOREN. The sharing of intelligence has been viewed as part of the collection of intelligence?

Mr. McMAHON. It's part of your clandestine effort, and the reasons are apparent, Mr. Chairman, in that when you provide intelligence to an organization—a foreign organization—you expect a quid. You get a sharing, so you get their intelligence back. More importantly, you begin to develop a knowledge base of the people. You begin to identify people that you might be able to work with in a special way later on. So it's—sharing of intelligence is a key instrument in our clandestine operation.

Chairman BOREN. What if you shared intelligence with another country without any expectation that you would ever get anything back in return from them in terms of intelligence collection?

Mr. McMAHON. Well, I'm not sure why you would want to share intelligence with them then.

Senator BRADLEY. The Chairman asked my next question. So indeed, you would have to stretch your imagination to assume why you would do that, if you weren't getting something, and I can understand that.

Mr. McMAHON. I think you have to look at the specific case and not the generic. What was involved in the intelligence exchange, and what was the purpose? What were you trying to do?

Senator BRADLEY. Precisely. Precisely. What were you trying to do? That is precisely it. I see the Chairman twitching a little, so we will not go down this road.

Let me ask you, if I could, moving to another subject, in 1984-1985, the Agency had some pretty good information on BCCI; is that not correct?

Mr. McMAHON. I don't know. I don't know whether it's fortunate or not, but BCCI never came across my screen, and while we may have had, you know, reports on it, intelligence and whatever, it was never something that bubbled on my desk, so I just can't help you there.

Senator BRADLEY. Okay. The Director of Central Intelligence, above all, should have good judgment; is that not correct?

Mr. McMAHON. Yes. I'd say that's a key ingredient.

Senator BRADLEY. Mr. Gates, in his testimony before the Committee, in a disarming way admitted in a number of instances to bad judgment, that he wished that he had pushed more on impropriety, that he wished that he had not taken at face value what he was told. My question to you is, there is a little inconsistency there.

Mr. McMAHON. Well, I would—I would look at this situation in the overall context of what was happening at the time versus where you are now. We are all dealing with that beautiful example of hindsight, but if you put it in the 16 million things that are happening daily out at that Agency, if, you know, Bob had an instinct that maybe he ought to do something, I'm sure the telephone rang or someone got in the way, and I would beg you to look at it in the context of a busy person with a lot of other things happening, plus the fact that he had a legitimate Finding from the President. The Agency was in a support role and we were doing what we were supposed to do.

Senator BRADLEY. Well, I think you make a fair point about 100 balls in the air. Thank you very much, Mr. McMahon.

Mr. McMAHON. Thank you, Senator.

Chairman BOREN. I just wanted to point out for the record, in our published hearings of Tuesday, February 17, 1987, we did propound a question to Mr. Gates, on page 12:

"On what day did you first learn information, either directly or indirectly, regarding the proposed sale to Iran? What was this information and what action did you take or advise upon learning such information?"

Answer: "My first partial involvement in the Iranian project began on 5 December 1985, when I was asked to attend a meeting in the office with Deputy Director John McMahon. I attended in my capacity as Deputy Director for Intelligence," and so forth. "Mr. McMahon was told that a Finding had been signed. I was aware of the context. This was the first indication I had that the U.S. was involved in the same way in arrangements related to Iran."

So apparently his testimony to us in 1987 does track your description of the fact. His memory does apparently coincide with yours that there was a meeting on the 5th of December 1985.

Mr. McMAHON. Thank you, Mr. Chairman.

Senator BRADLEY. Mr. Chairman, if I could, but it relates to the preparation of testimony. He corrected it in 1987, but earlier his explanation for the erroneous testimony prepared for Mr. Casey was that he could not recollect the meeting of December 5th.

Chairman BOREN. Yes, that is absolutely correct.

Senator BRADLEY. Let the record state that Mr. Gates did not remember the meeting of December 5th, and that was his excuse for preparing false testimony for the U.S. Senate.

Chairman BOREN. He testified he did not remember it at the time of the meeting preparing Casey's testimony, but to us in 1987, when we asked him when his first recollection was, he does then recollect the December 5th meeting. Both those matters should be in the record.

Senator Nunn has returned. Senator Nunn was next on my questioning list, then we will go to Senator Danforth.

Senator NUNN. Mr. Chairman, I will just ask, really, one question.

Mr. McMahon, we are glad to have you here. I understand there is in the CIA a telephone recording system that can record certain telephone calls if an individual goes to a certain telephone. Are you familiar with that? They have been into that here, and I think our staff has gotten a transcript of that.

Mr. McMAHON. If I remember the exact details, the office of the DDO received permission to monitor calls going into the DDO, and I don't know—I can't recall what time period that was put into effect, but I do know that that was the case.

Senator NUNN. All calls going into the DDO were recorded?

Mr. McMAHON. Yes, or were monitored by—let's see. It started around, if I can remember right, the Lebanon situation, after the Embassy was blown up, and we were getting a lot of phone calls in lieu of cables because we were operating out of a makeshift station.

The phone calls would come in by satellite into the DDO Ops Center, and the DDO got permission to record those calls coming in from overseas. The reason for that is that the DDO does not like to operate on a phone call. They want to have a record just for safety purposes, and make sure they got it right, of conversations, and I believe that that was installed around the Lebanon situation. Now, I may be a little hazy on that.

Chairman BOREN. What date was that, I'm sorry?

Mr. McMAHON. I can't recall.

Chairman BOREN. Roughly, what year?

Mr. McMAHON. I would say it's probably around '85, something like that.

Senator NUNN. How long did that last, do you know? Was it still there when you left?

Mr. McMAHON. I don't know. I don't know, Senator.

Senator NUNN. But you think it came into effect—would that have covered phone calls going out, or simply phone calls coming in?

Mr. McMAHON. I think it was both ways.

Senator NUNN. Both ways. So for a considerable period of time in DDO there was some kind of recorded system on phone calls both going out and coming in?

Mr. McMAHON. Yes. This was to their overseas stations.

Senator NUNN. Not domestic calls?

Mr. McMAHON. No, I don't think it covered domestic calls at all. I'd be surprised.

Senator NUNN. Did that cover any other parts of the Agency? Would it have covered the Director's office? Would it have covered anything else?

Mr. McMAHON. No, not that I know of. It didn't cover mine, and I don't know of any occasions—

Senator NUNN. You're sure it didn't cover yours?

[General Laughter.]

Mr. McMAHON. If it did, I didn't know it, sir.

Senator NUNN. So that was just in the DDO?

Mr. McMAHON. Yes sir, and I think it was just down in their operations center.

Senator NUNN. Do you know of any other system that was used for recording while you were there, a phone call either going out or coming in to any part of the CIA?

Mr. McMAHON. Not in recent years. Many years ago I think some phone calls were monitored in the DDO office, itself.

Senator NUNN. What is your definition of "recent years"?

Mr. McMAHON. Oh, maybe '80 on, or something like that.

Senator NUNN. 1980. Were any kind of ad hoc devices used to record conversations, or any other recordings that you know of, other than phone conversations?

Mr. McMAHON. No, sir.

Senator NUNN. Did Director Casey, to your knowledge, ever have a stenographer taking notes of conversations on another line?

Mr. McMAHON. Not that I know of, no. I think the only place we did that was in the DDO. What the stenographer would do was recall—would note who called and what time, but not the substance of a call.

Senator NUNN. So there would be an in and out log for everybody?

Mr. McMAHON. Yes, sir.

Senator NUNN. For Director Casey?

Mr. McMAHON. And for myself. I had an in and out log, too.

Senator NUNN. In and out log, but not the substance of the call?

Mr. McMAHON. No, sir.

Senator NUNN. So you are not familiar with any other recording, other than that period of time with DDO?

Mr. McMAHON. No, I'm not, and I think just to make sure the record is correct, I would ask the CIA General Counsel here to get the correct times and dates that those devices were used for the record of the Committee.

Senator NUNN. If we could get him to give that for the record, that would be helpful.

Chairman BOREN. We may already have that information for the record. I know there has been some documentation that has come to us on it, but we will make sure that we get the appropriate date.

Senator NUNN. Thank you. Thank you, Mr. Chairman. Thank you, Mr. McMahon. It is good to see you back.

Mr. McMAHON. It's good to see you, sir.

Chairman BOREN. Thank you very much, Senator Nunn. Senator Danforth?

Senator DANFORTH. Mr. McMahon, Senator Metzenbaum put into the record a memorandum from Mr. Gates that was dated December 14, 1984, and then he asked for your interpretation of this



memorandum. I am just going to read a few sentences, a paragraph or two, from it, and give you my interpretation and ask you if I am all wet.

The memo says, in part, "In Vietnam our strategy consisted of a series of measures applied very gradually and over a long period of time. With each step of new U.S. involvement the gradual approach enabled the enemy to adjust to each new turn of the screw, so that by the end of the war, even in the face of the most severe bombing, the Vietnamese had developed enormous tolerance. Half measures, half-heartedly applied, will have the same result in Nicaragua."

Then in the paragraph that Senator Metzenbaum quoted he said, "The alternative to our present policy, which I predict ultimately and inevitably is leading to the consolidation of the Nicaraguan regime and our facing a second Cuba in Central America, is overtly and to try to bring down the regime."

"This involves a mustering of political force and will, first of all within the Administration and, second, with the Congress, that we have not seen on any foreign policy issue, apart from our defense rearmament, in many years."

Then he goes on to state four different things that he thinks should be considered. then he says, "These are hard measures. They probably are politically unacceptable, but it's time to stop fooling ourselves about what's going on, what's going to happen in Central America."

The final paragraph is, "All of this may be politically out of the question, probably, but all the cards ought to be on the table and people should understand the consequences of what we do and do not do in Nicaragua. Half measures will not even produce half successes."

"The course we have been on even before the funding cutoff, as the last two years suggest, will result in further strengthening of the regime and a Communist Nicaragua which, allied with its Soviet and Cuban friends, will serve as the engine for the destabilization of Central America."

"Even a well-funded Contra movement cannot prevent this. Indeed, relying on and supporting the Contras as our only action may actually hasten the ultimate unfortunate outcome."

Now, my interpretation of this memorandum is that there was a lesson to be learned in Vietnam, that that lesson is applicable to other parts of the world, particularly Nicaragua, that the gradual ratcheting of covert activities is not going to be successful, that we may as well face reality and either do it or don't do it, and whether we do it overtly is going to require political support from the Administration and from the Congress, and whether or not that kind of support is politically out of the question is the basic issue that we should face up to.

My reading of this memorandum, and I know I have only read to you parts of it, is that that is not exactly a far out presentation, that it is probably not what a policy-maker would want to hear in 1984; that it is evidence of the fact that Bob Gates is a person who calls them as he sees them, and that it is also evidence of a person who has real doubt about the sort of marginal covert activity that

is carried on, particularly activity which does not have the political support of the American people.

I don't know if you would care to comment, but if you think that I am wrong in my interpretation of what he said, I would appreciate hearing from you.

Mr. McMAHON. I don't think you are wrong, Senator. I think that Bob's memo there is obviously one of analytical frustration because he realized there was a program that didn't have an end to it at the way things were going.

Our Nicaraguan program was modulated by what the traffic would bear in Congress. We never went out to overthrow the Sandinistas. We didn't have enough money to do that. We didn't have enough manpower or horsepower in the country to do that. We didn't have even the weapons to begin to think to do that.

What we tried to do—and we were settling for second best—was what Bob is kind of saying is that victory isn't going to happen. We tried to cause enough trouble with the Sandinistas, which would drive them to a political situation where they would accept the Contras as part of some form of their new government.

And you might argue that the work with the Sandinistas or with the contras may have paid off in the acquiescence on the part of Sandinistas to move into a new government.

But there is no doubt about it, that we only ran the program to the degree that Congress would let us with funding, and if you look at the funding in the Nicaraguan program, there was a lot of mood swings in that. It wasn't, boy, we are really going to get them this year. It was kind of just a low level operation.

And I think the signal that made the difference was when Congress came back in '86, October '86, I think it was, I was gone, but approved \$100 million. That was the biggest signal to the Sandinistas that Congress is getting upset with what they are doing and Congress is going to up the ante and I think that kind of drove the Sandinistas maybe to the bargaining table politically.

Senator DANFORTH. Well, I am sorry that Bob Gates isn't here to comment on this particular memorandum, but this would seem to be the memorandum of somebody who believes that political support is very important.

Mr. McMAHON. Critical.

Senator DANFORTH. And he is not likely to go off in Lone Ranger fashion, full-charge ahead without having that kind of political support. In fact, the gradual ratcheting that is done without political support is exactly what he is criticizing here.

Mr. McMAHON. I agree with your observation.

Senator DANFORTH. Thank you.

Senator CHAFEE. Mr. Chairman, could I also say that there has been some suggestion that Bob Gates was shy about putting forth his opinions. Here is his signature, Robert M. Gates, on a memo that is hardly tip-toeing through the tulips. It lays it right out. So it seems to me that ought to put to rest any suggestion that Mr. Gates isn't willing to take a position and, indeed, this is hardly something that would make the Administration jump up and down with enthusiasm, or just what they were seeking from their analytical section.



Chairman BOREN. Senator Danforth, do you have other questions?

Senator DANFORTH. No.

Chairman BOREN. I believe Senator Cranston has indicated to me that he has another question.

Senator CRANSTON. Yes. Since that memorandum came up, I would like to briefly comment on it also. So I do find that memorandum troubling for a couple of reasons. One, the estimate of what would happen was not accurate, that regime is gone and it didn't take bombing of the country to do it.

And secondly, I question very deeply the wisdom of the approach of bombing military targets in Nicaragua. He did carefully say that he was not suggesting an invasion but if he is confirmed as CIA Director, he will not be a policy-maker and he won't be able to make decisions like that, and he wasn't able to make this decision. His basic task, as we all know, is to gather intelligence.

I was curious about one thing that you said earlier today, I wanted to ask you about. You cited as one of the reasons for leaving the CIA in 1986 the fact that, "every right wing group in town had a spear in your back."

Could you elaborate a little bit about that? Did that relate to or reflect criticisms and pressures on the Agency during this period that were intended to slant intelligence and affect operations in some certain way?

Mr. McMAHON. It had nothing to do with intelligence, Senator Cranston and it was directed to me personally. It had nothing to do with the Agency, and if I could try to reconstruct how it happened, when we were running the Afghan war, some groups who supported the Afghan rebels came to me to urge that CIA do something to help the rebels.

Since we were already doing that, since at that time it was a covert program, I didn't want to admit to them that we had this activity going on. So I kind of gave them the 1,000 yard treatment and I guess that kind of ticked them off and when they left there was more chatter about, McMahon is against covert action, McMahon is against helping the Afghan rebels.

And some of the groups started sending out fliers. I recall one of them was called, Free the Eagle and the essence was, fire McMahon and please write Don Regan in the White House and tell him you have \$5, \$10, \$50, \$100, \$1,000, to get McMahon fired, and you could check your American Express number or Visa or whatever you had.

Senator COHEN. How much did they raise?

[General laughter.]

Mr. McMAHON. It must have worked, I am no longer there. Bill Casey got wind of it and he just laughed. You know, he just brushed them aside. He wasn't disturbed at all, but that is kind of the political nuances that go on in the town. I know my mother didn't like it, but it didn't bother me at all.

[General laughter.]

Senator CRANSTON. I gather it did reflect a desire on their part to bring about a certain—

Mr. McMAHON. Oh, yes, they wanted to get rid of me, no doubt about it.

Senator CRANSTON. Not only get rid of you, but get a covert action in that country.

Mr. McMAHON. Yes, that is correct.

Senator CRANSTON. Thank you.

Chairman BOREN. Thank you very much. Any other questions?

Well, Mr. McMahon, I want to again thank you for being with us. The Vice Chairman reflected on your Irish ancestry. As one Irishman to another, I think you have acquitted yourself very well and reflected very well the best traits of the Irish in the way that you have answered us very directly, but very candid. You are known for your bluntness and the way you express yourself, and you have lived up to that reputation today and we appreciate it.

In listening to you, there are some lessons and we talked to Mr. Fiers about these this morning. It seems to me that you are underlining them again. I said to him that I felt that one of the best protections that professionals could have—good professionals in this field who make such a great contribution to our country—was a strong oversight process with a requirement of notification to Congress. You have talked again about your support for the 48-hour notification of all Findings and covert actions.

As you know, this Committee has vigorously worked to enact such legislation. We have had one of our authorization bills vetoed based upon the area in which we have tried to press for further notification. We have at least gotten some of these protections now written into the statutory language of the law. Some of us would like to see more.

I gather you would agree that a vigorous oversight process is a very strong protection for professionals who would less likely be caught in political crossfires.

Mr. McMAHON. I support it 100 percent, and I can say that without fear of patronizing the Committee. I am a citizen now, and I think as a citizen, as a taxpayer, the more that our intelligence is in tune to what our country wants in the form of intelligence in a democratic society is paramount.

And we are not going to be able to build the kind of intelligence system that we need without the support of Congress and the only way to have their support is to have a Congress that is totally knowledgeable and very much involved in a good oversight.

It has the ancillary benefit of protection to the CIA employees, but more importantly, CIA as an institution. I think if you gentlemen have to go through another incident like this, we are going to have basket weaving going on out at CIA.

Chairman BOREN. People will simply be afraid to do their job well if they don't have these kinds of processes.

Mr. McMAHON. You are absolutely right.

Chairman BOREN. The other thing that I wonder if we can learn from you goes back to a point that has been discussed back and forth, at least in part in this memorandum to Mr. Gates about the Nicaraguan program. One of the things I suppose that might have surprised people is his own testimony that we should not use covert action, particularly paramilitary types of covert action, as an instrument of policy if the American people were deeply divided politically on an issue.

I thought we ought to try to bring about free elections and the end to the Sandinistas which I viewed as a dictatorship. I didn't like a dictatorship to the left any more than I do of the right, and I thought there was a dictatorship in Nicaragua. I must say that in retrospect, and I said this to the Administration as the debate was ongoing at different points, while I was a supporter of the Contras, I didn't think we should have ever started this if there was not a sustainable basis of political support in the country.

You mentioned you were viewed as one generally skeptical about the use of covert action to carry out foreign policy objectives. We shouldn't start new covert actions in the future unless we can be certain that we meet the test of sustainable political support from the American people who must agree it is in keeping with our values.

I think it is the first time the Intelligence Committee has ever taken this action. Since you have been gone, there was a request from the Administration on a covert program relating to Cambodia that this Committee refused to consider. We sent it to the Foreign Relations Committee because we said this is a policy decision that should be openly arrived at in the political sphere.

But I gather you would feel that, as we think about the future in the Intelligence Community, we should be very cautious about using covert action as a substitute for basic foreign policy of the country, especially where there is not a self-evident and obvious, strong political consensus, including the support of the American people for such a course of action.

Would that be one of the lessons you would have drawn from your—

Mr. McMAHON. I subscribe to everything you say, Mr. Chairman, except the latter part. Often you can't have the political consensus soon enough and that is where you folks come in. That is where you are going to have to use your judgment that eventually the American people would support that.

But I am a great believer that covert action is a subtle articulation of policy and if you don't have the policy you have disaster for covert action, and you have to have the policy first and then build the covert action to support and complement where need be.

Chairman BOREN. And at the very least, a consensus of policy between the Legislative and Executive branches for a start?

Mr. McMAHON. Exactly.

Senator COHEN. Mr. Chairman, may I make just one observation?

Chairman BOREN. Yes, sir. I would be happy to have the distinguished former Vice Chairman of our Committee make a comment.

Senator COHEN. I just want to make one observation about the comment about policy. One of the reasons that Congress kept shifting back and forth is because the rationale for supporting the Contras kept shifting back and forth. It is a chameleon-like reaction that we had to the proposals coming from the Administration at that time.

As many Members may recall, originally, it was simply to interdict the flow of weapons going into El Salvador, and then it became one to harass the Sandinistas to prevent them from consolidating their power and exporting that revolution.

Then we were told that the purpose was to eliminate all foreign forces from Nicaragua and to reduce the size of the Sandinistas armed forces and then to restore democratic reforms consistent with the pledges made by the Sandinistas during the overthrow of the Somoza regime.

So we in fact were reacting to the rationales that kept, the Administration kept putting forth, all the while suspecting that that is not what the Administration had in mind, that really what was behind it was the overthrow of the Sandinistas.

So I think with reference to the memorandum submitted by Mr. Gates, it was time to really level with the Administration and level with the Congress, that this ought to be our objective, and if you don't like it, reject it, but don't keep shifting the rationale to conform to what you think is politically salable. Either build the consensus or don't undertake it, as the Chairman was suggesting.

Mr. McMAHON. The point is well taken.

Chairman BOREN. I think that is right. We didn't know what the rationale was as Senator Cohen said. It shifted and I, for one, could never understand. If our aim wasn't to win, why do you embark on a program to hurt a regime if you don't intend to beat it.

I never could quite understand that and I think that confusion was a very damaging one and was a part of the process that put those in the Agency in a very difficult position. It tempted people into actions that were tragic and illegal and had very damaging consequences for the country.

Well, again, Mr. McMahon, we thank you for being with us.

Senator MURKOWSKI. Mr. Chairman, I just have one short observation to share with you and I would appreciate your response. Recognizing your support, overall confidence in Mr. Gates, as evidenced by your testimony in response to the questions, and your generalization that if the Agency doesn't build up a sound working relationship in maintaining a two-way communication and a confidence level with Congress, it might as well be in the business of basket weaving, and the recognition that Mr. Gates, because of his experience, carries a certain amount of baggage, as evidenced by the questioning going on here, the allegations of slighting information or laundering information, so forth and so on.

Do you think that with that baggage on the one hand and yet with the intimate knowledge that Mr. Gates has, that he can come in at a time when clearly there has been some bleeding between the Congress and the Intelligence Community, patch this thing up and gain the confidence.

Or do we need somebody that is fresh, new, that hasn't got any baggage?

Mr. McMAHON. I think Bob Gates' baggage is an attribute, and the reason why I say that is the fact of his relationship with President Reagan. If ever there is a time to have a close tie on intelligence—

Chairman BOREN. President Bush?

Mr. McMAHON. I mean President Bush, I am sorry. It shows you how long I have been out of Government, President Bush. The relationship Bob has with President Bush is an ideal time to do this amending that you speak of, Mr. Vice-Chairman and that is great.

And I don't really look for any problem for Bob Gates as far as the 48 hour rule is concerned because of that relationship. But what I am worried about is the guy that follows Bob Gates and the one that follows him, and I think that now is the time, because of the confidence that President Bush has with Bob Gates, to make this work right, so we don't have more hearings like this.

Chairman BOREN. Thank you very much, Mr. McMahon, we appreciate your testimony.

We are going to take about a 5 minute recess, after which we will come back and begin the testimony of Mr. Tom Polgar. I am told, because of activity on the Floor, there are going to be some votes interspersed and we will be going in session on the Floor until about 10:00 tonight with votes. Several Members of the Committee have indicated to me that they do have appointments beginning at approximately 6:30 p.m.

So what we will do is go as far as we can with Mr. Polgar's testimony and questioning until 6:30 p.m. when we will recess. I doubt we will have finished with Mr. Polgar's testimony and questioning at that time. We will come back at approximately 7:45 and resume.

Now we will stand in recess for about 5 minutes and then we will continue on with Mr. Polgar until 6:30 p.m.

Thank you, Mr. McMahon.

Mr. McMAHON. Thank you, sir.

[A brief recess was taken.]

Chairman BOREN. All right, we will proceed at this point.

I will say that some members of the press have asked for a copy of the memorandum which was referred to by Senator Metzenbaum in regard to comments Mr. Gates made and in regard to the Nicaraguan program. We do have this declassified, and we will distribute copies of this memorandum to the press just as soon as we can physically get the copies made.

Let me say also that we have had several instances in which we have gotten into the edges of classified information in the open session. We have gone as far as we could go without jeopardizing some of these sensitive matters, particularly as they apply to the Middle East. There have been references to Iraqi programs, the Papal assassination attempt, other areas of intelligence sharing and Intelligence Estimates, which are exactly the main topics with witnesses already scheduled in our closed hearing.

At the request of several Members of the Committee we have asked those witnesses to come in. We have a full range of classified documents that we will also look at in those closed sessions. I would anticipate that after we have had the closed session, which will be next week now, we will have Mr. Gates back in closed session as well to get into those points on classified matters, be they on the Papal assassination attempt or any other subject that has been touched upon.

So the areas that we have not been able to have declassified that remain sensitive, will be covered very thoroughly, but unfortunately we have to do that in closed session. We will, at the end of the whole process, have Mr. Gates back in open session again so we will have another opportunity to pursue perhaps some of those questions further in open session. I just wanted to clarify that.

Let me also indicate that the former Vice Chairman of the Committee, Senator Cohen, has indicated to me that he wishes to be recognized for a brief statement following the presentation by Mr. Polgar of his opening statement. We have accorded this privilege to another former Vice Chairman, Senator Moynihan. We will do that.

I have discussed this with Mr. Polgar. I gather that it would indicate some difference of opinion between Mr. Polgar and Senator Cohen on some of the matters that Mr. Polgar will be talking about. I will allow Mr. Polgar to make any additional comments after I have recognized Senator Cohen. Then we will go into questioning.

We are not going to have other Members who are not currently Members of the Committee engage in questioning of our witnesses. I think if we were to begin to do that, we would open the process to another 85 Senators. We have been a bit prolonged in our deliberations in the hearings already. I am not sure we would finish by Christmas if we set that precedent, so we will not follow that precedent.

Our next witness is Tom Polgar. We welcome you to the Committee, Mr. Polgar. Mr. Polgar served in the Office of Strategic Services, or OSS, during World War II. He has a very distinguished record with the Intelligence Community. He joined CIA at its creation in 1947, serving 34 years honorably in the Directorate of Operations in a number of key overseas posts.

His decorations include two Distinguished Service Medals, the Intelligence Star, and the Department of State award for valor. He retired from the CIA in 1981 to write, lecture, and do consulting work. In 1987 he joined the staff of the Senate Committee investigating the Iran-Contra affair, where many of us got to know him very well and appreciated the opportunity to work with him.

Several months ago, Mr. Polgar wrote an Op-Ed piece for the Washington Post criticizing the Gates nomination, and several Members of the Committee, having read that particular piece, requested that he be invited to present his views. We have done so, and we are very pleased to welcome him to the Committee this afternoon.

Mr. Polgar, I know you understand it is customary, since this is a confirmation proceeding, to ask even our outside witnesses to be sworn, so I would ask that you stand and be sworn as a witness.

Would you raise your right hand? Do you, Tom Polgar, solemnly swear that the testimony you are about to give is the truth, the whole truth, and nothing but the truth, so help you God?

Mr. POLGAR. I do.

Chairman BOREN. Thank you very much. Please be seated, Mr. Polgar. We would be happy to have your opening remarks that you might like to make. We will place into our record the full statement previously received from you.

[The prepared statement of Mr. Polgar follows:]

#### STATEMENT OF THOMAS POLGAR

My name is Tom Polgar. I appear today in response to the Committee's invitation. I feel qualified to testify based on some 40 years' involvement with American intelligence, starting with OSS in World War II. During 34 years with the Central



Intelligence Agency I held a dozen or so senior staff and command positions. I was chief of station in Argentina, Vietnam, Mexico and Germany.

In 1987 I served as an investigator on the staff of the Senate Select Committee on Iran/Contra.

I come today to oppose the nomination of Robert Gates because of information and conclusions developed from the Iran/Contra chain of events.

This is the first time I have taken a public position on a presidential appointment.

At the outset, let me counter the claim that Robert Gates as Deputy Director of Central Intelligence was "out of the loop"—that Gates was not told about the events now known as Iran/Contra. I intend to show, by documentation and testimony, that Gates was fully in the loop, in the management pattern set by his predecessor John McMahon.

No one then serving in CIA could have had any doubts that McMahon was a Deputy Director fully involved in CIA's management, exactly as was intended by Congress when the appointment of the Deputy Director of Central Intelligence was made subject to Senate confirmation.

McMahon was Director Casey's loyal deputy and strong right hand. For example, when President Reagan called a meeting for Saturday, December 7, 1985 to discuss the Iran initiative, McMahon was there for CIA, along with other top advisors of the President.

A few days earlier, in the Director's absence, McMahon showed strong leadership, taking the initiative to right a wrong, trying to construct a legal defense by means of a Presidential Finding for the CIA's role in the November 1985 HAWK missiles for hostages deal.

Mr. Gates succeeded McMahon as Deputy Director for Intelligence in 1982 and as Deputy Director of Central Intelligence in 1986. It is not conceivable to me that McMahon would have failed to explain to Gates how the shop was being run and what were the major and controversial operations then handled by the Agency.

In any case, after several years in top management jobs, Gates should have known well how the CIA functioned and what were the primary interests of Director Casey.

The CIA's own records show that Gates followed McMahon's pattern. He was acting Director in Casey's absence; he dealt personally with the White House, accompanying the Director or on his own; he was in and out of the Director's office at his own volition; he needed no invitation to join Casey when Oliver North came to lunch. This was in accordance with the statement made by Mr. Gates to the Senate Intelligence Committee in April 1986 that the Director and he, Gates, agreed to merge the offices of DCI and DDCI into a single entity.

By early 1986, in my opinion, it would have been impossible for any senior CIA officer, let alone the Deputy Director, not to know that CIA was involved in support to the Contras. The mining of the Nicaraguan ports, for example, which resulted in sharp controversy between Director Casey and the then Senate Intelligence Committee chairmen Goldwater and Moynihan, the arguments around the Boland Amendment and CIA's own intelligence reporting reflected the developments. It is hard to imagine that the Deputy Director of CIA did not know what was behind the newspaper reporting and why Congress was becoming agitated.

It has been suggested that Gates did not know about Iran/Contra and the diversion of funds because he was "compartmented out."

This is not true and, indeed, would not have been possible. People who make such claims do not understand how CIA functions.

The truth is that certainly from the time he succeeded John McMahon as Deputy Director for Intelligence, Gates was a key member of CIA's top management team. He was not only well aware of Iran/Contra developments but had direct involvement with them already as Deputy Director for Intelligence, as shown by CIA documents, testimony, depositions and White House papers.

Intelligence Directorate participation, under Gates, in the formulation of the Agency's role in support of the Contras is reflected, for example, in a December 1985 memorandum "Crucial Decisions on Central America" and in a January 1986 "NSC pre-brief" meeting in which participants were instructed that Director Casey wanted to make the insurgency choice stark:—either we go all out in support of the Contras or they will go down the drain.

As for Iran, a CIA memorandum for the record indicated that on December 5, 1985 then Deputy Director John McMahon convened a meeting of top CIA officials, including Robert Gates, to advise them that he would be meeting with the President on December 7 to take stock of U.S. efforts to free hostages and expand ties with Iran. McMahon reviewed what had already happened, including the 24 November

HAWK shipment, the first Iran Finding and the planning for more weapons shipments.

This meeting and the subsequent CIA memorandum for the record are of crucial importance because they indicated the falsehood of later statements by Robert Gates and other CIA witnesses.

Gates' early involvement, with the Iran operation is also shown by his testimony (SSCI) that he was in a meeting on January 25, 1986 at the CIA to discuss preparation of intelligence to be passed to the Iranians, as part of the arrangements developed by the National Security Council staff with the Ayatollah Khomeini's regime.

According to a document found in Oliver North's files, titled "DCI, Talking Points, February 26, 1986" (Tower Commission) "the people who know" included Robert Gates.

In March 1986 then Deputy Director for Intelligence Gates asked his analysts to prepare briefing material for Robert McFarlane in order for him to impress the Iranians with the gravity of the Soviet threat to Iran. A week later the analysts met with Gates to discuss how to respond to Iranian intelligence requirements on Iraq.

CIA documents show that in the Spring of 1986 Gates was among the small group of senior officers who received sensitive intelligence from the National Security Agency that the Iranians were paying exorbitant prices for spare parts and radar equipment.

An internal White House electronic message dated April 16, 1986 from North to Admiral Poindexter stated "Chief NE and Gates have urged Cave and North to proceed tomorrow with the Iranians in Frankfurt."

North's message indicated that Gates was not only aware of, but took an active part in the management of the Iran operation. Far from being compartmented out of Iran/Contra, even as Deputy Director Gates was an important member in CIA's top management team. I suggest that he must have done well in that capacity to warrant Mr. Casey's choosing him to be his deputy.

In July 1986 Admiral Poindexter sent an electronic message to North on the latter's proposal to sell General Secord's Central American enterprise to the CIA. Poindexter explained that he had already told Robert Gates on July 16 that the private effort should be phased out. Would a careful man like Poindexter talk with Gates of the private effort unless he knew for certain that Gates was among the people at CIA who knew about the private effort? And if Gates did not know, would it not have been his duty to find out what it was the National Security Adviser wanted?

The record shows that Gates had continuing contact with Poindexter. Often he accompanied Casey to the scheduled weekly meetings, at times he saw the National Security Adviser alone.

According to a memorandum for the record by Gates, he, Casey, Poindexter and North met at the White House on October 2, 1986. (Tower Commission)

Records made available to the Iran/Contra Committee show that after the shooting down of the Hasenfus plane over Nicaragua there were frequent contacts in person and by telephone between CIA's top management and Admiral Poindexter. Grave problems emerged with the Contras and with the Iran aspects. Gates was in Poindexter's office on the 2nd and 15th of October. According to testimony of CIA senior analyst Charles Allen to the Tower Commission, Gates had given a lot of warning to the Admiral that the Iranian operations were spinning out of control.

How could Gates have given such warning if he were compartmented out and did not know what was happening?

On October 9, 1986, according to the record, Gates invited himself to Casey's lunch with Oliver North to hear North's report in his meeting in Frankfurt with a new Iranian channel, along with General Secord and CIA's George Cave. During the lunch North made, what Gates called, a cryptic reference to a Swiss account and money for the Contras. Gates said in testimony (SSCI) that he and Casey did not pursue North's remark; that after lunch he and Casey discussed it and agreed that they did not understand North's comments.

It would seem that the two top Central Intelligence officers failed to ask North what he intended to convey by reference to such interesting subjects as Swiss accounts and money to the Contras.

Casey and Gates met again with Poindexter on November 6, 1986 when—as Gates testified (SSCI)—Casey recommended that Poindexter bring in the White House legal counsel. Gates also said that he learned at that meeting that Casey had a prior discussion with Poindexter in which the Director recommended that North obtain legal counsel. Certainly at this point Gates had good reason to assume that something illegal might have taken place. A lawyer with Casey's experience would not recommend that a White House staffer retain legal counsel, unless he had reason to assume that actions took place for which legal defense would be required.



The CIA's Inspector General testified that Casey and Gates met again with Poindexter on November 14, 1986 to discuss suspected diversion of money to Central America. The Inspector General said that by early November CIA had fairly significant evidence that some diversion might have taken place (SSCI).

The Comptroller of CIA testified that he learned of possible diversion to the Contras on November 18 or 19, 1986, when CIA operations officers speculated about the diversion as they were pulling together information for Casey's November 21 testimony on the Hill. The Comptroller said he shared this information with Casey and was told by Casey that he and Gates had already, in October, expressed to Poindexter their concern about a possible diversion (SSCI).

The records available to this Committee show that Casey and Gates knew about the diversion well before the CIA Inspector General and the Comptroller raised the subject with them.

Sensitive NSA reporting about inflated prices being charged to the Iranians was disseminated to key CIA personnel, including Casey and Gates. This information caused two senior officers directly involved, Charles Allen and George Cave, to grow suspicious. In August 1986 Allen reported the possibility of money diversion to the Contras to his immediate superior, the Deputy Director for Intelligence, Richard Kerr, who had by then succeeded Gates. Kerr told Senate Committee staff that he related Allen's diversion account to Gates, but Gates subsequently told the CIA Inspector General that he could not recall the discussion with Kerr.

That Gates could not remember a conversation with his former deputy and successor when the subject was the possibility that CIA and NSC staffers were involved in an ongoing felony strains credulity.

Allen testified that on 1 October he took his worries directly to Gates, reporting that the Iran project was going to be exposed and that money generated by the project may have been diverted to the Contras. According to Allen's testimony (Tower Commission) Gates appeared deeply disturbed by the report; he said that he did not want to hear any more, that he did not want to know about such rumors. Allen insisted that he was not talking rumors but was conveying analytical judgment based on intelligence. Gates then asked Allen to brief the Director. When Allen briefed Casey on October 7, he found that Roy Furmark—a business associate of Saudi businessman Adnan Khashoggi's and former client of Casey's—had been there before him. Oliver North testified that Furmark told Casey in early October about the speculation surrounding the diversion to the Contras and that it was the meeting with Furmark that triggered Casey to advise North that things ought to be cleaned up.

Thus Allen's report to Casey that the money might have gone to the Contras came as no surprise. The Director told Allen to put it all on paper.

In his written report Allen repeated his conclusions and included Manucher Ghorbanifar's statement that "some of the profits were redistributed to other projects of the U.S. and Israel."

On October 15 Casey and Gates met with Admiral Poindexter and gave him a copy of Allen's memorandum.

CIA officials Allen and Cave met again with Furmark on 16 and 22 October 1986, after which Allen and Cave jointly prepared a new memorandum for Casey to send to Poindexter. This memorandum referred to Ghorbanifar's accusation, which Furmark had repeated, that some of the "bulk of the original \$15 million price tag was earmarked for Central America." The memorandum, Allen testified "laid out starkly . . . that Ghorbanifar had made allegations of diversion of funds to the Contras." (Allen at Tower Commission, JC Chapter 15, page 274)

Allen testified (Tower Commission) that Casey talked with Poindexter on a secure telephone about the October 22 meeting with Furmark but the letter containing the diversion information was not sent to Poindexter. CIA claimed that it fell into the wrong box and was not discovered until the Attorney General's press conference on November 25, 1986.

It seems strange that an important letter was mishandled in the Director's office and that none of the sharp people around Casey, including Gates, saw to it that what Casey wanted to send to Poindexter actually got there.

It is more likely that Casey did not send the letter because he and Poindexter wanted no paper to exist in the White House which would have documented early awareness of the diversion.

This lost letter may then have been one of the early moves in what was to become a campaign of concealment and obstruction, as reported in Chapter 19 of the Congressional Committee's majority report on Iran/Contra.

I contend that in this concealment Gates played a key role. I also note that Gates testified at his February 17, 1987 confirmation hearings that he did not inform Con-

gress of possible diversion of funds to the Contras, because "while the evidence he had was worrisome, it was also extraordinarily flimsy." Yet the Director and Deputy Director Gates repeatedly took this so-called flimsy evidence to the National Security Adviser. When I was in the CIA, it was not the practice to bother the National Security Adviser with matters the CIA front office considered flimsy.

#### PREPARING FOR CONGRESS

On Sunday, November 16, 1986, Casey flew to Central America. Gates assumed duties as Acting Director. According to unchallenged testimony from officials in CIA, National Security Council Staff, State Department and Justice Department, the NSC staff was coordinating testimony to be given by Admiral Poindexter and Director Casey to congressional committees on November 21. There was a problem: The CIA chronology—with the title "Newest—11 hours, 19 November"—was an honest, factual account of what happened in November 1985. I quote: "In late November 1985 the NSC asked CIA for the name of a discreet, reliable airline which could assist the Israelis in transporting a payload of Israeli-owned HAWK missiles to Iran \* \* \*. The airline was in fact hired to transport a Boeing 707 load of weapons from Tel Aviv to Tehran. When senior CIA management learned that this had occurred, it was decided that a Finding would be necessary before the Agency could provide any future support of this type."

This CIA chronology also reported the provision of intelligence to Iran, the Iranian promise to provide some U.S.-supplied weapons to the Mujahedin in Afghanistan and that the McFarlane team had left Tehran without making any progress.

All this contradicted previous statements of President Reagan and Admiral Poindexter.

On November 20, 1986 a meeting was held at the White House to coordinate Casey's proposed testimony with the White House version of events. In this meeting Gates participated along with Director Casey. The CIA chronology was altered in substance. HAWK missiles become "bulky cargo", mention of the Israeli connection was dropped, Tehran become "an unspecified location in the Middle East", the paragraph about CIA management having decided that a Finding was necessary was dropped, as were the paragraphs on providing intelligence to Iran, Iranian assistance to the Mujahedin and on the lack of progress of the McFarlane mission.

It was after this meeting that Assistant Attorney General Charles Cooper and State Department Legal Advisor Abraham Sofaer agreed that the new CIA/White House chronology did not correspond with Secretary Shultz's recollection nor with a contemporaneous note written by Charles Hill, Shultz's Executive Assistant, in November 1985. This was stated in a deposition by Judge Sofaer and confirmed in sworn testimony by Assistant Attorney General Cooper.

Cooper testified that after the November 20 meeting at the White House, Judge Sofaer said that if Casey's testimony were to be given in the form developed at that meeting, he—Sofaer—would leave government, to which Cooper replied "we may all have to."

No such sounds were coming from Gates. The record shows that he went along with the falsification of the chronology. He neither insisted that the testimony about to be given should be truthful, nor did he inform the Senate Intelligence Committee that it was about to be misled, despite his pre-confirmation commitment that he would report false or misleading testimony.

In any event, Casey's November 21st testimony was false and misleading; Gates was an active and leading participant in preparing the testimony.

Gates himself gave false and misleading testimony to the Senate Intelligence Committee. For example, in December 1986 he testified that "Agency people \* \* \* from the Director on down, actively shunned information. We did not want to know how the Contras were being funded \* \* \* we actively discouraged people from telling us things. We did not pursue lines of questioning."

These sentences—if they were true—amount to a terrible self-indictment by an intelligence officer. But in fact Gates was not telling the truth. CIA personnel in the field were ordered by their Headquarters to report on the Contras. The requirements were spelled out in a January 26, 1986 message from Alan Fiers, Chief Central American Task Force, to the Chief of Station Honduras:

"As we are all painfully aware, this project in all of its various incarnations is far and away the most controversial undertaking by CIA. \* \* \* It is now incumbent on us to expend a strong influence on the resistance forces \* \* \* The field managers must have their finger on everything the resistance forces are doing \* \* \*"

The Chief of Station in Honduras testified that he was required to report receipt of supplies by the Contras and to assist in obtaining flight clearances. This inevitable

bly led to continuing contact with the people handling the supplies and with those controlling the air movements. How were clearances to be obtained without knowing specifics?

The Station Chief in Costa Rica testified that he advised CIA headquarters of every flight expected to bring supplies from the so-called private benefactors and that he asked CIA for flight support information, including risk from hostile forces and their radar coverage, and he testified, "Headquarters sent it to me not once but several times."

Contrary to the Gates statement, the CIA stations thus responded to Headquarters' requirements by collecting and reporting all relevant information.

Gates also misled Congress on December 4, 1986 when Senator Eagleton asked Gates about his knowledge of General Secord's activities. Gates replied:

"I can't place it exactly, but I would say a number of months ago one of the rumors we heard in terms of funding for the Contras was that he was involved with the private benefactors in some way and it was no more specific than that."

Another look at the record: In 1981, when Gates was Special Assistant to Casey, one of the Director's objectives was to provide AWACS planes to Saudi Arabia. General Secord, then in the Defense Department as a Deputy Assistant Secretary, handled the project for the Pentagon. Previously, Secord worked with CIA during the Vietnam war. Secord was Casey's type of man and it was Casey who recommended him to North.

The record further shows that Secord became a key player in the Iran and Central America projects, attended meetings with senior CIA personnel in the White House and in CIA Headquarters, arranged the flight which took McFarlane and North to Tehran and participated in the Frankfurt meeting on which North reported to Casey and Gates at the lunch on October 9, 1986. [And the Deputy Director of CIA could not place him exactly?]

In August 1987 Clair George, then the CIA Deputy Director for Operations, testified about Secord as follows:

"\* \* there is a world of ours in which there are people we do not deal with and Secord is one of them."

Senator COHEN. This world of yours—is it fair to say that people at your level, and I am certainly talking McMahon, Casey, yourself, Clarridge, would have knowledge of Secord's activities?

GEORGE. Absolutely.

Senator COHEN. His name is one that certainly would pop up on the same mental screen?

GEORGE. I don't see how you can be in this business and not know the name of General Secord."

Gates, however, said in sworn testimony that he could not exactly place the name of Secord.

Other examples of what I would characterize as Gates' reserved attitude toward the truth came during his confirmation hearings on February 17, 1987. Gates said that Joseph Fernandez, the Station Chief in Costa Rica, was a renegade officer who acted on his own.

The record shows that Fernandez acted in compliance with instructions he received from Headquarters and had reported on his activities, including his secure electronic system of communications with Oliver North. Fernandez was never told to cease and desist. He may have been misguided and he may have been a willing victim of circumstances, but in my view he was never a renegade who acted on his own.

Gates also said, as previously mentioned, that he did not inform Congress of possible diversion of funds to aid the Contras because while the evidence he had was "worrisome" it was also "extraordinarily flimsy."

The record shows that the information was based on professional analysis of sensitive and reliable electronic intelligence reports from the National Security Agency. The analyst responsible for the conclusions was Charles Allen, one of CIA's top-ranking analysts specifically designated to handle the Ghorbanifar aspects.

When an officer of Allen's status reported information that Gates called "worrisome" but which actually indicated the possibility of a continuing felony perpetrated with the knowledge of White House officials, it should not have been dismissed as "flimsy." Indeed, Gates' own actions contradicted the statements he gave to the Senators. When Charles Allen and George Cave prepared their memorandum which "laid out starkly the allegations of the diversion to the Contras" on October 22, 1986, Casey relayed the substance to Admiral Poindexter by secure telephone.

I would like to point out also that the CIA Inspector General testified that Casey and Gates met with Poindexter on November 14 to discuss the suspected diversion

and that by early November the CIA had fairly significant evidence that some diversion might have taken place.

In sum, was the evidence fairly significant as claimed by the Inspector General and as reflected in communications between Casey and Gates on the one hand and Poindexter on the other or was it so flimsy, as claimed in testimony by Gates, that it was not worth mentioning it to the Tower Commission or to the Senators?

#### THE MORAL ISSUE

In the foregoing I have emphasized my negative views, supported by evidence from the record, of Gates' veracity and judgment in the management of CIA and its relations with Congress.

His proposed appointment as Director also raises moral issues. What kind of signal does his re-nomination send to the troops? Live long enough, your sins will be forgotten? Serve faithfully the boss of the moment, never mind integrity? Feel free to mislead the Senate—Senators forget easily? Keep your mouth shut—if the Special Counsel does not catch you, promotion will come your way?

These are wrong messages and they bode ill for the future of our intelligence service.

Temptation to engage in illegal or immoral acts is inherent in the shadowy business of secret operations. Lack of integrity at the top will be reflected down the chain of command, as we have seen in the Iran/Contra and Watergate scandals. Most importantly, the intelligence agencies in this democracy must not have an adversary relationship with the Congress.

One need not go beyond the headlines of today to realize that there will be continuing requirements for intelligence collection and analysis, but they may well take CIA into uncharted waters. National priorities and resources will have to be reconsidered. Recent testimony to the Senate Armed Services Committee by General Norman Schwarzkopf and statements by Admiral Frank B. Kelso II, Chief of Naval Operations, indicate that there are problems with the quality and timeliness of American intelligence. Inspired and imaginative leadership will be needed for correcting current shortcomings, for defining and attaining new goals and to attract the type of personnel they will require.

In Robert Gates I see an official closely associated with the errors and misjudgments of the past. I also see a man who has failed to live up to the solemn commitments he made when he was confirmed as Deputy Director of Central Intelligence in April 1986, who participated in the concealment and cover-up during the Iran/Contra investigation and who has misled the Senate Intelligence Committee.

It is up to you, Senators, to decide what kind of message you will send to American intelligence.

#### TESTIMONY OF THOMAS POLGAR, FORMER OFFICER, CENTRAL INTELLIGENCE AGENCY

Mr. POLGAR. Thank you very much, Senator Boren. As you mentioned, in 1987 I served on the staff of the Senate Iran-Contra Committee. To avoid any possible misunderstanding, I am not speaking today for or on behalf of the Committee. My opinions and conclusions on Robert Gates are my own. They should not be viewed as representing those of the Senators, counsels or staff of the Iran-Contra Committee.

Senator BRADLEY. Mr. Chairman, could Mr. Polgar pull the microphone just a little closer?

Chairman BOREN. Yes. Pull it a little closer.

Mr. POLGAR. A little closer to me?

Chairman BOREN. Yes. Just pull it close. That is good.

Mr. POLGAR. I also want to say that conclusions and judgments based on the intelligence process do not require and, indeed, seldom permit the degree of proof required in legal proceedings.

In intelligence we seldom have all pieces of the puzzle. We often reach conclusions which we believe to be valid but could not prove in a court of law. Intelligence operates on the basis of indications

and a reasonable probability. To convict, the law requires proof beyond reasonable doubt.

Of course, we are not here to convict Mr. Gates. We are discussing his suitability, which by definition is a subjective judgment. My statements on Mr. Gates should be viewed in that light. I have reached conclusions based on the available intelligence which others in good faith can evaluate differently.

The reasons for my position in opposition to Mr. Gates have been spelled out in the written statement made available to the Senators. In sum, I conclude that Mr. Gates was part of the cover-up and concealment, including misleading Congress in late 1986 and in 1987.

His testimony to this Committee on the 16th suggests to me that the tiger has not changed his spots. For example, he claimed credit for the excellent cooperation with Congress after he became acting Director in December 1986. Permit me to quote from "Men of Zeal" by Senators Cohen and Mitchell, page 251, and I quote:

"The Committee's apparent indifference to the CIA's role unintentionally but predictably produced a certain disdain by some in the Agency toward our proceedings. The Agency's cooperation had evolved from what our staff described as mobile stonewalling to a contentious disregard of our requests. It was evident that CIA had concluded that it had little to fear from our Committee and decided to adopt a narrow and conservative view of what information it had to produce. As of late July, dozens of Committee requests were being ignored."

Who was in charge during this period? Robert Gates. Now, I will not repeat here in my opening statement what has already been submitted into the record, but I would like to point out that, in addition to questions of Gates' veracity and judgment in the management of CIA and its relations with Congress there is also an important issue.

What is the signal that his nomination sends to the troops? Feel free to mislead the Senate? Senators forget quickly? Keep your mouth shut, or claim not to recall; your sins will be forgiven and if the Independent Counsel doesn't get you first, promotions will follow?

Such messages bode ill for our intelligence service. Integrity and intellectual honesty are permanent problems in all secret intelligence services. Problems with integrity and intellectual honesty at the top will undoubtedly be reflected throughout the organization.

In Robert Gates, I see an official closely associated with the errors and misjudgments of the past, a man who has failed to live up to the solemn commitments he made when he was confirmed as Deputy Director of Central Intelligence in April 1986, and one who participated in concealment and coverup during Iran-Contra.

It is up to you, Senators, what kind of message you will send to American intelligence.

That concludes my statement.

Senator METZENBAUM. Mr. Chairman, before going forward, I do not know Mr. Polgar. I never met him before, I never heard him before, but he refers to his statement and says it should go into the record. It is a rather lengthy statement and I gather it has very substantive material in it. Was Mr. Polgar told not to read the

entire statement? Because it seems to me that—we may get a chance to read it. I am sure we will try to. It seems to me the information should be available to the public, and I just wonder whether he should not just proceed to read the entire statement.

Chairman BOREN. Certainly I have not told Mr. Polgar not to read his entire statement.

Mr. POLGAR. No, sir. No one has told me.

Chairman BOREN. I want you to be sure to say everything that you want to say, and to read any portions of it that you want to read.

Mr. POLGAR. Well, I have an abbreviated version of that statement. If you wish me to read it into the record I would be happy to do so.

Chairman BOREN. I think that would be fine.

Senator METZENBAUM. We are not under any pressure of time. I think we would like to hear from you.

Mr. POLGAR. Well, I was under the mistaken impression that we were under pressure of time.

Chairman BOREN. Well, I think we want to stay within reasonable time bounds, but we certainly do not want to cut off anyone from being able to make the essential points they want to make. As you know, there are members of the Committee that have requested your testimony, and we appreciate your taking the time to be here. I want you to feel free to make any points, read any portions of it that you would like to read.

Mr. POLGAR. Thank you very much, sir. I will proceed.

First of all, I would like to counter the claim that Robert Gates as Deputy Director of Central Intelligence was out of the loop, that Gates had no access to or involvement with Iran-Contra. I intend to show that Gates was in the loop, that he was a top operating official of the CIA in the management patterns set by his predecessor, John McMahon.

Now, you have heard Mr. McMahon's testimony this afternoon. I have known Mr. McMahon for some 40 years. I have always found him to be exceptionally truthful and honest, and I have nothing to add to qualify his statements.

Mr. McMahon talked about the 5 December meeting, which was the first important development in CIA's involvement with Iran-Contra. Gates himself gave false and misleading testimony to the Senate Intelligence Committee in December 1986. He corrected that testimony, as the chairman had noted, in February 1987.

He also gave false and misleading testimony when he testified in December 1986 that Agency people from the Director on down actively shunned information. "We didn't want to know the Contras were being funded. We actively discouraged people from telling us things. We did not pursue lines of questioning"—and these are exact quotes.

These sentences, if they were true, would amount to a terrible self-indictment of the CIA, but in fact Mr. Gates was not telling the truth. CIA had asked its field stations to report on the Contras and the stations have complied with such requirements.

Now, getting back to the change of command between Mr. Gates and Mr. McMahon, knowing Mr. McMahon well, as I mentioned, I



cannot imagine that he would have failed to explain to Mr. Gates how the ship was being run.

And, indeed, the record shows that Gates followed McMahon's pattern. He acted as Director in Casey's absence. He dealt personally with the White House. He had unrestricted access to CIA offices, information, and personnel. He had a close relationship to Casey. In fact, he got at least three consecutive promotions from Mr. Casey. And Mr. Gates had testified that he and Director Casey had merged their offices.

He certainly needed no invitation to join Casey when Oliver North came to lunch. Gates was not compartmented out of sensitive operations. And, indeed, such compartmentation would have been impossible.

People who make such claims in my opinion do not understand how CIA functions. There is a big difference between Director Casey going down to the operating level to seek information and the chain of command.

I have been reasonably closely connected with several Directors. And I found that all Directors went directly to the most knowledgeable person in the agency when they wanted information on something that was close to their heart.

For example, I was Chief of the German branch when Mr. Allen Dulles was Director. Mr. Dulles felt about the same way on Germany that Mr. Casey felt on Central America. I was a very young and very low Branch Chief. But it was a rare week when I didn't hear directly from Mr. Dulles.

And it was up to me, as Mr. McMahon explained, to make sure that the chain of command is informed what the Director wanted. It wasn't the Director's responsibility to make sure of that.

I never interpreted Mr. Dulles' direct requests to me as any kind of license for me to avoid my Division Chief or the Deputy Director in charge of operations at that time.

The fact is that like all Deputy Directors, Mr. Gates was part of CIA's top management team. He was not only aware of Iran-Contra developments, but in fact had involvement with all these over several years dating back to his duties as Deputy Director for Intelligence.

According to a document found in Oliver North's files Gates was among the people at CIA who knew. Mr. North's files did not indicate what it was that they knew, but it was in the Iran context. A White House electronic message on April 16, 1986 indicated that Gates was not only aware of, but took an active part in the management of the Iran operation.

This Intelligence Committee's summary shows 11 specific involvements by Gates through May 8, 1986. And more frequently after that.

A White House electronic message shows that the National Security Advisor, Admiral Poindexter, told Robert Gates on July 16, 1986 that the so-called private effort to the Contras should be phased out.

Would a careful man like Poindexter raise the subject with Gates unless he knew for certain that Gates knew all about it?

Gates testified on the 17th of September that he did not remember such a conversation. Yet from April to November 1986 Gates

had regular contacts with Poindexter. After the Hasenfus plane was shot down and grave problems emerged with both Iran and Contra, meetings and telephone talks between Gates and the Admiral became more frequent.

According to testimony by CIA senior analyst Charles Allen, Gates gave Admiral Poindexter a lot of warning that the Iran operation was spinning out of control. How could Gates give such warning if he had been compartmented out of the operation?

The CIA Inspector General testified that Casey and Gates discussed with Poindexter on November 14, 1986 suspected diversion of money to Central America and that by early November CIA had fairly significant evidence that some diversion might have taken place.

The Comptroller of CIA testified that he learned of possible diversion to the Contras on November 18 or 19, that he shared this information with Director Casey and was told by Casey that he and Gates had already discussed their concern about the possible diversion with Admiral Poindexter in October.

All along, Gates was among a dozen or so recipients at CIA of National Security Agency reporting on the inflated prices being charged to the Iranians.

In August 1986 Charles Allen reported a possibility of money diversion to the then Deputy Director for Intelligence, Richard Kerr who told Senate Committee staff that he conveyed Allen's diversion information to Gates. But Gates told the CIA Inspector General and subsequently the Senate Committee that he could not recall the discussion with Kerr.

The Assistant Deputy Director for Intelligence, John Helgerson, states that Kerr told him he discussed a possible diversion with Gates.

In my opinion it strains credulity that Gates could not remember a conversation with his former Deputy and successor when the subject concerned possibly criminal activity by White House and CIA officials.

On 1 October Allen took his concerns directly to Gates. Allen testified that Gates said that he did not want to hear anymore, that he did not want to know such rumors. Allen insisted that he was not talking rumors, but conveying analytical judgment. Gates did instruct Allen to brief Director Casey. And this took place on October 7th, by which time Casey had received the information about the alleged diversion also from Roy Furmark, Canadian businessman and former legal client of Casey's.

In light of the foregoing, the October 9th lunch of Casey, Gates, and North in the CIA Director's dining room assumes special significance.

Gates testified that he invited himself to Casey's lunch with North to hear North's report on his just concluded meeting in Frankfurt with a new Iranian channel. Also present in Frankfurt were General Secord and CIA's George Cave.

During the lunch North made what Gates called a cryptic reference to a Swiss account and money for the Contras. Now, I repeat that only 2 days earlier Gates and Casey had received information about the possible diversion from Mr. Roy Furmark, which was in addition to Allen's analytical information.



Thus, it is surprising that Gates and Casey did not pursue North's remarks as Mr. Gates had testified.

After obtaining additional information on the reported diversion, Allen submitted a written report in which he quoted the Iranian middleman, Manucher Ghorbanifar, that, quote, "Some of the profits were re-distributed to other projects of the U.S. and Israel."

On October 15th Casey and Gates met with Admiral Poindexter and gave him a copy of Allen's report. On October 22nd, after another meeting with Furmark, Charles Allen and George Cave prepared a new memorandum for Casey to send to Poindexter in which Allen has testified they laid out starkly the information about the diversion to the Contras.

Casey talked with Poindexter on the secure telephone about this new information, but the letter with the diversion information was never sent. CIA witnesses claim it fell into the wrong box.

In my view, it is more likely that Casey did not send the letter because he or the Admiral wanted no paper to exist in the White House which would have documented early awareness of the diversion.

This lost letter may have been one of the early moves in what was to become a campaign of concealment and obstruction as described in Chapter 19 of the Congressional committee's Majority Report.

In this concealment, in my view, Gates played a key role. He told the Intelligence Committee on February 17, 1987 that he did not inform Congress of possible diversion of funds because while the evidence he had was worrisome, it was also extraordinarily flimsy. Yet Casey and Gates repeatedly took this flimsy evidence to the National Security Advisor.

I must say that when I was in the CIA it was not the practice to bother the White House with matters the CIA front office considered flimsy.

Unchallenged testimony shows that on November 18th and 19th while Mr. Casey was in Central America, there were meetings of NSC staff and CIA officials to coordinate the testimonies to be given by Poindexter and Casey to Congressional committees on 21 November.

There was a major problem. The first CIA chronology, and this is the one that was dated as of 19 November, was an honest, factual account of what happened in November 1985, including the shipment of weapons, the lack of a Finding, provision of intelligence to Iran, the Israeli role, and the failure of the McFarlane mission in Tehran.

All of this contradicted previous statements of President Reagan, Admiral Poindexter, and of CIA officials.

On November 20th a meeting was held to coordinate Casey's proposed testimony with the false chronology developed by Colonel North. The earlier CIA version, the 19 November version, was altered in substance, HAWK missiles became bulky cargo, mention of the Israeli connection was dropped, Tehran became an unspecified location in the Middle East, reference to the Finding was dropped as were the paragraphs on providing intelligence to Iran and on the lack of progress of the McFarlane mission.

Mr. Gates was present when these changes were made. I emphasize that I'm talking about the changes between the 19 November draft and the 20 November draft. It was after the 20—

Chairman BOREN. That is not the final draft that was actually given?

Mr. POLGAR. No, sir.

Chairman BOREN. You are talking about the first chronology?

Mr. POLGAR. I am talking about the method or forces in the preparation of drafts.

Mr. Gates was present at the White House meeting on the 20th of November when these changes were made. It was after this meeting that State Department legal advisor, Judge Sofaer, said that if Casey's testimony were to be given in the proposed form he would leave Government. To which Assistant Attorney General Charles Cooper replied, and I quote, "We may all have to."

No such sounds were coming from Gates. He went along with the falsification of the chronology. He neither insisted that the testimony should be truthful, nor did he inform the Senate Intelligence Committee that it was about to be misled despite his pre-confirmation commitment that he would report false or misleading testimony.

Gates also misled Senators about his knowledge of General Secord, a key player in the Iran-Contra operation.

I hate to embarrass Senator Cohen, but I think the interchange there is very vividly described when Senator Cohen asked Clair George what the name Secord meant to him. And in essence Clair George testified that there was nobody at his level in the intelligence business who wouldn't recognize Secord's name.

Yet, Mr. Gates testified as Deputy Director of Intelligence that he could not recognize the name.

Well, Senators, that concludes my statement.

Chairman BOREN. Thank you very much, Mr. Polgar.

As I indicated, Senator Cohen had made a request to us that he be recognized to make a very brief statement and enter a letter, I believe from Mr. Liman, into the record. After which time, I want to allow you to make any additional comments you want to make.

Then he will recess and come back and begin our questioning of you after we have had a recess over the dinner hour.

Senator Cohen?

Senator COHEN. Thank you very much, Mr. Chairman. And let me thank my colleagues for their indulgence.

I did not want to set any precedent of questioning any witness and simply wanted to exercise the same privilege that was extended to Senator Moynihan.

I read, Mr. Chairman, Mr. Polgar's article in the Washington Post and I saw at least a preliminary copy of his testimony. And I was reading it late last night. I must say I have enormous respect for Mr. Polgar. He has a record of service to the Agency and to the country which I think has been outstanding and his contribution as one of the senior staff members of the Iran-Contra Committee was very important.

But I must respectfully say that whenever a person, whatever his or her status or stature, undertakes to impoverish another by robbing him of his good name, and I would put it in that category, ac-

cusing someone of giving false testimony or committing perjury, then I think we have a special obligation to separate out fact from opinion and valid conclusions from, I think, heated contentions.

When the Iran-Contra affair first became public, there was a preliminary inquiry conducted by this Committee, in which you and I were very much involved in the writing of a report. And I might point out for the record that I refused to subscribe to a report that was initially prepared, because I felt it was inadequate, inaccurate, and simply not fair for us to endorse such a report back in early January of 1987.

Chairman BOREN. I would just like to ask for verification of the record, that was a report completed before this Senator became Chairman of the Committee.

Senator COHEN. That is right.

I was very much involved in the writing of that particular report. I also served with you and other members here as a member of the Iran-Contra Committee. I pointed out that there has been a Tower board, the preliminary report we filed, the Iran Contra Committee's report—a copy of which I have here, and I am sure that Mr. Polgar played a key role in putting that together—as well as an investigation by the Independent Counsel.

And I would point out that during the past 5 years, not one of these investigative groups suggested that Bob Gates lied, that he misrepresented the facts or committed perjury. And yet, that is precisely what Mr. Polgar purports to establish—and I say purport because much of what is contained in Mr. Polgar's prepared testimony, I think reflects his passionate opinions that have been rarefied, at least, into controvertible fact. That is the way in which the prepared testimony struck me last evening.

I called Arthur Liman, who had returned late from celebrating the holidays. I spoke on the phone as late as midnight last evening. And I asked him to provide me with a letter outlining his reaction to the article that appeared in the Washington Post, and to Mr. Polgar's testimony.

And he has produced an analysis that I believe is factual; it is dispassionate; it is balanced. And I think it is particularly incisive about the kinds of issues that are confronting this Committee with respect to Mr. Gates.

And I might point out for the record, he takes absolutely no position, one way or the other—in favor or opposition—to Bob Gates' nomination. And I would simply like to read portions of that letter into the record because I believe that Mr. Polgar has made some very serious statements concerning Bob Gates' falsifying testimony, lying to this Committee, committing perjury, etc., that should be addressed.

Chairman BOREN. Let me ask, do we have consent from Mr. Liman to allow his full letter to be shared with Members of the Committee? Indeed, parts of it, I think, have been incorporated.

Senator COHEN. Yes, I was just trying to abide by this excluding limitation and in terms of breaking. I would be happy to read the entire thing. But I do not think that is necessary.

Chairman BOREN. I would like to receive the entire letter for the record, and then share it with members. And I would assume, if it is not classified, so it could be shared with the media as well.

Senator COHEN. I believe I offered it to the Chairman earlier, but—

Chairman BOREN. We will receive it for the record so that members can receive all of it.

Senator METZENBAUM. Would the Chair not agree—I am not going to object, but is it not a rather unusual procedure to have testimony come in which affects this witness' credibility without having an opportunity to interrogate the writer of the letter? Now, Mr. Liman is a very well-respected man. I respect him.

But I think that there is some inappropriateness in attacking this man's credibility by letter.

Chairman BOREN. Let me suggest this, Senator Metzenbaum. I have not read this letter myself. After you and other Members of the Committee have had a chance to read Mr. Liman's letter in full, if you wish to question Mr. Liman and if he is amenable, we will arrange for that.

So I will not solicit your views after you and I have read the letter. As I say, my commitment is that we have fairness. That is the reason that I made certain that this interjection by Mr. Cohen was made aware to Mr. Polgar in advance, for him to have an opportunity to respond. And certainly, we will all have a chance to review the letter.

Senator COHEN. The reason I contacted Mr. Liman is he obviously was the Chief Counsel to the Senate Committee, who worked closely with Mr. Polgar, and would have some opinion, certainly on the product that was put together and submitted to the public in terms of the Iran-Contra Committee's investigation.

So I think that he would be in a very good position to make some assessment concerning the conclusions that are asserted as fact, which go to attack the integrity of Bob Gates to the point where he is accused of committing perjury.

I simply would point out once again that not one of the five investigative bodies have ever suggested that that was the case. And I think that that ought not to stand without some challenge.

If I might proceed, Mr. Chairman?

Chairman BOREN. You may proceed. I do not have a copy of the letter at this point. But we will have it, I understand.

Do other Members of the Committee have a copy of the letter?

Senator BRADLEY. Mr. Chairman, could I ask you, what are we going to do about our 6:30 break? I mean, is there any chance we could have the break and then come back at 7:45, having made plans?

Chairman BOREN. Well, I thought we would come back at 8:00. How long, Senator Cohen, would your reading of this take?

Senator COHEN. I can read it pretty quickly, if you would like. In 5 minutes I would be finished.

Chairman BOREN. The portion that you are going to read? Then I want to give Mr. Polgar an opportunity to make any comments that he might like to make. And then we will take a break.

Senator METZENBAUM. May I suggest that I think Mr. Polgar's response to Mr. Cohen's comments ought to be made in the same time span?

Chairman BOREN. That is what I said.

Senator METZENBAUM. Why do we not, when we come back, have Senator Cohen start that?

Senator BRADLEY. Why not have Senator Cohen begin at 8:00 and then Mr. Polgar can respond. And then we can at least have a discussion without an interruption that disconnects some thought process—assuming there is one.

Senator RUDMAN. A parliamentary inquiry, Mr. Chairman.

Chairman BOREN. The Senator from New Hampshire.

Senator RUDMAN. Would you tell us what the schedule is for the rest of the evening?

Chairman BOREN. Well, we will complete some time before 2:00 a.m.

[General laughter.]

Chairman BOREN. No, that is not serious. It is my intention that we would come back at about a quarter of eight, or 8:00 o'clock. I will allow Senator Cohen to complete his reading from Mr. Liman's letter. By that time we will be able to have copies available for everyone.

I want to enable Mr. Polgar, as we have discussed previously, to make any additional comments he wants to make following what Senator Cohen has said. Then the Committee will begin its questioning of Mr. Polgar.

After that, depending on what time it is—

Senator METZENBAUM. We are ready to go home after that.

Chairman BOREN. After that we will have Admiral Inman. Our problem is, some Members of the Committee have told me they cannot be here tomorrow afternoon. We still have Admiral Inman, Mr. Allen, and Mr. Kerr as witnesses. We will start in the morning wherever we finish tonight. I am hopeful that we might be able to complete the questioning of Mr. Polgar, and perhaps take Admiral Inman's testimony tonight.

If not, we will begin with Admiral Inman in the morning, which means we will have Mr. Kerr and Mr. Allen, which I would think would take a good portion of the morning. It is hard to predict how long the questioning will take.

I am told we are going to be in session in the Senate until approximately 10:00. I would not propose we go any later than that tonight because we have had a long day. And I know members want to be able to think clearly about this matter. My hope was that we would end about 9:30 and just get as far as we can.

Senator METZENBAUM. Mr. Chairman, I do not have any objection to your beginning at 9:30 or 8:30 in the morning if you want. But I really do question remaining in session until 10:00 at night.

Chairman BOREN. It is too late? Well, let us just say we will set a cut-off time at 9:30 at the very latest, no matter what. Members do get tired. Let us come back and complete the comments of Senator Cohen and Mr. Polgar's opening comments. And then we will go to questioning. We will come back at 10 minutes to 8. We will then go as far as we can go but no later than 9:30. And then we will resume tomorrow morning in open session, since we still have open witnesses to hear. We will postpone the closed session that we were intending to have tomorrow until next week. We will have the closed session, beginning Tuesday morning, Senator Bradley, on

the issues that you have raised, and also on some other issues that have been raised on intelligence analysis.

Senator RUDMAN. Mr. Chairman, another question on tomorrow's schedule, if the Chairman could tell us please?

Chairman BOREN. We will start no later than 9:00. If we do not begin Mr. Inman tonight, we might begin as early as 8:30 in the morning.

Senator RUDMAN. And how late would we go with this Committee tomorrow, Mr. Chairman?

Chairman BOREN. A number of Senators have told me that they have conflicting schedules. We will complete by 12:00 noon, tomorrow.

Senator RUDMAN. All right, Mr. Chairman, thank you.

Chairman BOREN. It would not be my plan that we would be in session tomorrow afternoon. If the Senate is in session, that could change things. I will take a reading from Members tomorrow.

Mr. Polgar, again, I want to thank you for being here. And I want you to feel free to make any additional comments you want to make when Senator Cohen completes when we return after this recess.

Mr. POLGAR. Thank you, Senator.

Chairman BOREN. Thank you very much.

[Whereupon at 6:39 p.m., the Committee recessed, to reconvene at 7:30 p.m. the same day.]

#### EVENING SESSION

Chairman BOREN. May we come back in session?

We have had a number of questions from Members. Obviously our timetable has been getting further and further behind. That's why we want to move as expeditiously as possible.

We still, as I said in the beginning, will take as long as we need to take to thoroughly do our job in these hearings and are not going to be driven by artificial timetables.

I have just been conferring with our witness due to follow Mr. Polgar, Admiral Inman. He is in the midst of an academic conference tonight and has inquired about the schedule.

I believe it would be impossible for us to finish before 9:30, perhaps a little earlier. I think, after a point, it becomes very difficult for Members to really deliberate about the testimony.

So I think the soundest policy would be to excuse Admiral Inman for tonight and begin with him as a witness in the morning. I'm also told the Senate may go even later.

It will be our plan to complete the testimony of Mr. Polgar tonight, and, since we had planned to finish at noon tomorrow, this may well mean that we will not have Mr. Allen and Mr. Kerr in open session until next Tuesday morning.

That means that we could begin our closed session on Tuesday afternoon after we've heard those two witnesses and complete it on Wednesday. We'll probably have Mr. Gates back for the better part of the day beginning either Wednesday afternoon or perhaps on Thursday, in open session, as our final witness.

Right before the recess, we had the question arise about a letter from Mr. Liman. My goal has been that we be fair to everyone in-



volved in this process, give every point of view an opportunity to be heard, and to be fair to all individuals who are part of these proceedings.

I have conferred principally with Senator Metzenbaum and Senator Bradley, who had requested that Mr. Polgar have an opportunity to be a witness. I have conferred with Senator Cohen, who we had recognized to make a statement and who had raised the fact that he'd received a letter from Mr. Liman that he wished to put in the record in reference to Mr. Polgar's testimony.

After a discussion with everyone concerned, including Mr. Polgar, in order to reach a fair result, the Chair has decided that we will follow this course of action. As I understand, it has been agreed to by all Senators involved and by Mr. Polgar as well.

We will allow Senator Cohen to complete his statement of his own point of view. Since Mr. Liman is not here to be examined by the Committee, and since he has written a letter to Senator Cohen as opposed to the Committee, and we have yet to hear the full testimony of Mr. Polgar, including the questions and answers, it would be most appropriate not to receive the letter from Mr. Liman for the record at this point. And if, after Mr. Polgar completes his testimony before the Committee, Mr. Liman wishes to address a letter to the Committee and asks that it be inserted into the record, we would receive it at that time subject to Mr. Polgar's opportunity to make a written response to it for the record if he should desire to do so.

Mr. POLGAR. Thank you, sir.

Chairman BOREN. Mr. Polgar, is that agreeable to you?

Mr. POLGAR. Yes, sir.

Chairman BOREN. And I think that's agreeable to Senator Cohen, and I understand it is agreeable to Senator Bradley and Senator Metzenbaum.

Senator BRADLEY. Yes, it is, Mr. Chairman.

Chairman BOREN. I appreciate the cooperation of all. As I say, sometimes there are difficult decisions to be made in order to assure that we get all of the information and that all points of view are represented at the same time. We want to be fair to all individuals concerned including Mr. Polgar, the nominee and others. I am pleased we have reached this conclusion in the discussion among ourselves.

I will recognize Senator Cohen to complete the comments that he wishes to make about Mr. Polgar's statement as he understands it.

Then, Mr. Polgar, I will give you an opportunity to make any additional comments before we begin our questions. After that we will begin our questioning and hopefully not keep you here too late in the evening.

Senator Cohen.

Senator COHEN. Thank you very much, Mr. Chairman.

As I indicated before, we hold Mr. Polgar in very high regard. Therefore, when he does make a very serious allegation that the nominee has committed, in fact, an obstruction of justice, misleading this Committee, testifying falsely, committing perjury, in essence, then I believe it requires a very careful scrutiny of the statements.

In view of the fact that I do not wish to set any precedents by asking questions, I thought it would be appropriate, at least under the circumstances where I have spent two or more years dealing with this issue, not only as Vice Chairman of the Committee but also as a member of the Iran-Contra Committee, for me to address some remarks to the testimony without burdening the Committee with a request to address questions to the witness.

Mr. Chairman, I looked at this statement last evening, and what struck me was I felt there was a leap of logic from facts that were cited which do not support the conclusion that was arrived at.

For example, on page 2 of the testimony that I received a copy of last evening, Mr. Polgar states that a few days earlier, in the Director's absence, McMahon showed strong leadership, taking the initiative to right a wrong, trying to construct a legal defense by means of a Finding for the CIA's role in the November 1985 HAWK missiles for hostage deal.

I think it is important for the record to be clarified. As Mr. McMahon testified here today, he did not know in November of 1985 that HAWK missiles were, in fact, transferred. That knowledge had not come to him until at least several days later, when he became aware of it during the December meetings that he held.

I think that's important when we go back to look at Mr. Gates trying to reconstruct the events in November of 1986 as to what either Mr. Gates knew in November of 1985 and what Mr. Casey may or may not have known in November of 1985 and not merge the two, so that it appears that Mr. Gates knew in 1985 that HAWK missiles were included in that particular shipment.

As Mr. McMahon pointed out, it was altogether quite reasonable that he would conclude that oil drilling equipment was, in fact, a part of that shipment, given the needs of the Iranians at that time. He found out to the contrary a few days later. But I think that was an important point to make.

Also on this page Mr. Polgar says, "It is not conceivable to me that Mr. McMahon would have failed to explain to Gates how the shop was being run and what were the major controversial operations then handled by the Agency."

Implicit in this particular statement is that somehow Mr. McMahon did know of the operation, so-called Iran-Contra, and imparted that to Mr. Gates. The fact is that no one, absolutely no one, has ever suggested that Mr. McMahon knew about a diversion of proceeds going from the sale of the weapons to the Contras, or that the CIA had illegally been aiding the Contras. There is no evidence to that fact.

At the bottom of the page, it indicates, "By early 1986, in my opinion, it would have been impossible for any senior CIA officer, let alone the Deputy Director, not to know the CIA was involved in the support of the Contras." Mr. McMahon didn't know in early 1986 about any illegal support to the Contras. But it is implicit here that Mr. Gates obviously knew and was lying about it or covering it up.

On page 3, "It is hard to imagine that the Deputy Director of the CIA did not know what was behind the newspaper reporting and why Congress was becoming agitated." Mr. McMahon didn't know about the funding for the Contras. And, moreover, he said he didn't



want to know. Mr. McMahon said that neither he nor Mr. Casey wanted to know the reasons that he articulated here today.

Again, I say this and point this out because Mr. Polgar said the truth is that certainly from the time he succeeded Mr. McMahon, Gates was a key member of the top management team.

Then he says, "He was not only well aware of the Iran-Contra developments"—now, he has merged Iran-Contra development into one, coherent program. The fact of the matter is Mr. Gates has testified over and over again he was aware of the Iran initiative. He was in part of the briefings, from December and January on. He has testified that he was aware of that.

Also, Mr. McMahon indicated he was also opposed to that particular initiative. But the fact is that Mr. Polgar has linked the two together as Iran-Contra developments. Again, there was not a single shred of evidence presented to the Iran-Contra Committees, to anyone that I'm aware of, including the Independent Counsel, that Mr. Gates was aware of the diversion program from the very beginning and that the Contras were being funded and operated through the CIA agents at that time.

He cites a December, 1985 memorandum and a January, 1986 NSC pre-brief that Director Casey wanted to make the insurgency choice stark, "Either we go all out in support of the Contras or they'll go down the drain."

Director Casey made that same argument many times to this Committee, time after time, which is one of the reasons why we had Boland 1, Boland 2, Boland 3, and Boland 4. That's not something to indict Mr. Gates with, saying that this memo somehow made him privy to the Contras being operated or aided and abetted by the CIA.

Over on page 4, "Gates' early involvement with the Iran operation is also shown by his testimony and his preparing of the intelligence we passed the Iranians."

I think we've had evidence, once again, that that was pursuant to a Presidential Finding. There is no illegal activity on the part of Mr. Gates being aware of the Iranian initiative.

"According to a document found in North's files, titled DCI Talking Points, Tower Commission, the people who know included Gates." Mr. Gates has indicated he knew about the Iranian initiative.

Let me turn to page 5. "North's message indicated that Gates was not only aware but took an active part in the management of the Iran operation. Far from being compartmented out of Iran-Contra, even as Deputy Director, Gates was an important member of the management team." Once again, it is very misleading, I think, and erroneous to link the two together that Gates was not only aware but took an active part in the management of Iran-Contra. He was aware of and took a management role in the Iranian initiative. But again, there's not a single shred of evidence that I'm aware of, or that anyone else is aware of that Mr. Gates took part in the diversion scheme to fund the Contras.

"Poindexter explained he had already told Gates that a private effort should be phased out. Would a careful man like Poindexter talk with Gates of the private effort unless he knew for certain

that Gates was among the people who knew about the private effort?"

Mr. Gates has testified here, as many other witnesses have, that they knew a private effort was under way. That's what Mr. McMahon said: we didn't want to know anything about that private effort. Neither McMahon, nor Casey, nor Gates—they were consistent. They tried to stay away from that information.

Secondly, on that page, "The record shows that Gates had continuing contact with Poindexter. Often he accompanied Casey to the scheduled weekly meetings. At times he saw the National Security Advisor alone."

There is no evidence in the record that Mr. Poindexter ever confided in Mr. Gates. I think implicit in that is that somehow they must have talked about something illegal.

On page 6, for example, Mr. Casey apparently recommended North obtain legal counsel. "A lawyer," according to Mr. Polgar, "with Casey's experience, would not recommend that a White House staffer retain legal counsel unless he had reason to assume that actions took place for which a defense would be required."

I think the salient point to make here is that Casey didn't recommend that Bob Gates get legal counsel. So I don't know what one is to imply from that particular statement.

Mr. Polgar has said time and time again in his testimony that it's inconceivable that a Deputy Director could ever be "compartmented out."

I believe you will have testimony tomorrow, since you are not going to have it tonight, from Mr. Inman that, indeed, he was compartmented out on a number of occasions during the Casey era, as such. But I think it is important that that fact be made.

There is an item cited in the book by Mr. Persico specifically about Eden Pastora being contacted to head up one of the Contra efforts, and that was arranged by Mr. Dewey Clarridge, totally without the consent at that time of the Deputy Director of the CIA.

Also there is reference made to the letter that was drafted or the memo prepared by Mr. Allen, who will be testifying tomorrow. Mr. Polgar says that it seems strange—I want to just cite this—Allen testified that Casey talked with Poindexter on October 22 about the diversion information. It was not sent to Poindexter. CIA claimed it fell in the wrong box and wasn't discovered until the Attorney General's press conference in November. "It seems strange an important letter was mishandled in the Director's office and that none of the sharp people around Casey, including Gates, saw to it what Casey wanted to send to Poindexter had gotten there." Omitted from the statement is the fact that Mr. Gates was out of the country. Mr. Gates was out of the country for two weeks. And, according to Mr. Allen's testimony—and I will refer the Committee to it, since I won't have a chance to point this out tomorrow—on page 12 of Mr. Allen's testimony, "You will see that Mr. Gates was traveling when it was written and he's not sure that a copy ever was transmitted because it fell into the wrong box." That's Mr. Allen's testimony.

Finally, Mr. Chairman, I want to just refer to page 11 of Mr. Polgar's testimony. "Gates himself gave false and misleading testimony to the Senate Intelligence Committee. For example, in Decem-

ber of 1986, he testified that 'Agency people, from the Director on down, actively shunned information. We did not want to know how the Contras were being funded. We actively discouraged people from telling us things. We did not pursue lines of questioning.' "

Well, this is exactly what John McMahon sat here today and testified to, that he actively shunned knowing how the Contras were being funded, as did Mr. Casey.

Again, for Mr. Polgar to say Gates gave false testimony I think is quite a serious charge when, in fact, I think it is rebutted by Mr. McMahon's own testimony that this was something that was done by both him and Mr. Casey. He says, "These sentences, if they were true, amount to a terrible self-indictment that Gates was not telling the truth."

I just hope that the Committee Members will look very carefully at the charges and at the facts. I think there has been a very serious leap from factual assertions to the actual substantiated conclusions.

I only raise this because, again, I have high respect for Mr. Polgar. We worked on the same investigation for a period of seven or eight months together. To my knowledge—and I stand to be corrected on this—to my knowledge, Mr. Polgar never indicated to any Member of that Committee, not to counsel of that Committee, that he believed or had evidence that Mr. Gates in any way obstructed justice or committed perjury or lied to the Committee; because, if he did have such evidence and if he were satisfied of that, I'm sure it would have been brought to our attention. And, frankly, if that is the case, I'm sure the Independent Counsel would be more than interested in pursuing that against Mr. Gates.

So I think when you take the stand, as such, at the witness table and you seek to impugn not only the integrity but the honesty and the service of another public servant, we should take great care that we not make charges without a substantial body of evidence to support it.

I thank the indulgence of my colleagues.

Chairman BOREN. Thank you, Senator Cohen.

Mr. Polgar, you've made your opening statement. Senator Cohen, in a sense, has responded to your opening statement. I'd like to give you an opportunity to make any additional comments you'd like to make before we begin our questioning.

Mr. POLGAR. Yes, I would like to reply to Senator Cohen's statement and I would like to return the compliment.

Senator BRADLEY. Mr. Chairman, could Mr. Polgar bring the microphone a little closer to him.

#### TESTIMONY OF THOMAS POLGAR—Resumed

Mr. POLGAR. Right.

I have known Senator Cohen for more than ten years and I've always had the highest respect for him. And, having said that, I think he's making a little leap in judgment here tonight because, if you read, Senator, my statement carefully, you will find that it starts addressing the frequently voiced opinion or claim or alibi that Gates was somehow out of the loop.

My distinguished friend, Admiral Inman, had debated that point with me on "Nightline," and the entire introductory statement that I have here deals with the in loop question. I tried to show that Mr. Gates was in the loop. He was just as much in the loop as Mr. McMahon, allowing for the fact of his relative inexperience and unfamiliarity with the Operations Directorate. And nowhere in that part of the statement is any allegation of wrongdoing contained.

I'm not accusing him of anything there. I just state the facts to illustrate that, indeed, he was in the loop.

Now, later on, I do make some statements which suggest that he had concealed or misled the Senate, and I cite chapter and verse. I think each of those accusations should be taken up and examined and see whether my conclusions are supportable or unsupportable. I assure you, the facts are there.

Now, intelligent and well meaning people can draw different sets of conclusions from an identical set of facts.

You, Senator Cohen, were a distinguished prosecutor. You know that there's many a complaint which the District Attorney refuses to take up, and of the things that the District Attorney takes up, sometimes the Grand Jury rejects them. And sometimes the Grand Jury brings an indictment and the court sets the defendant free. That can happen. But that does not mean that the deed necessarily didn't take place. It just means that perhaps there was insufficient proof within the meaning of the law beyond a reasonable doubt to convict somebody. That doesn't necessarily mean that the party is innocent. He is innocent in a legal sense. But the deed has been done.

Now, I don't recall ever having accused Mr. Gates of perjury because that's a legal term and very complicated legal term. And I have no idea which of the statements were made under oath and which were not.

Now, as I recall the law, making a false statement to a Senate Committee is punishable even if it was not made under oath. So I think we should examine the statements.

I do believe that I have indicated that Mr. Gates was in the loop, that he was aware of what was going on. Mr. McMahon certainly indicated that there were no practical means of compartmenting a deputy out. At least, there was no practical means to do so in his case.

Now, Admiral Inman is a special case. Admiral Inman came in as Deputy Director really against his will.

Senator CHAFEE. Against what, what was that?

Mr. POLGAR. Admiral Inman did not want to be Deputy Director of CIA.

Senator CHAFEE. He did not want it?

Mr. POLGAR. He did not want to be Deputy Director of CIA.

Chairman BOREN. He came in against his will is what he is saying.

Mr. POLGAR. Well, it wasn't his first choice; let's put it this way. But he was a three-star admiral. It was indicated to him that he's got to take that job. Senator Goldwater was pushing for it very strongly. It was implied that he would get his fourth star, which he did get. He and Casey didn't make beautiful music together.

Senator WARNER. What was the job that Inman wanted?

Mr. POLGAR. I think he either wanted to be Director or he wanted to return to civilian life. He was the head of NSA, and we had instances where the Deputy Director of CIA went on to head NSA. We never had an instance where the Director of NSA came down to be Deputy Director of CIA. So Inman wasn't happy. All right.

Mr. Casey wasn't happy with Inman because, frankly, they belonged to different schools of political thought. I don't mean Republican and Democrat. But Admiral Inman was a very straightforward, honest officer, a military counterpart of John McMahon. He didn't like these shenanigans that started to occur very soon after Mr. Casey took over.

Inman would never have agreed to support Eden Pastora in Costa Rica to interdict the supply lines to the Contras in El Salvador. I mean, this was nonsense. It was a complete distortion of an early Finding. And I think Mr. Persico's book, which has been quoted here frequently already tonight, goes into quite considerable detail on that point. It quotes Senator Goldwater, it quotes the late John Bross, who was very close both to Casey and to Inman. Mr. Bross told Mr. Persico that it was his idea to put Mr. Gates in as a Special Assistant to the Director because Gates could be relied on to sort of be a buffer between Mr. Casey and Mr. Inman—Admiral Inman.

At any rate, Inman did not have the kind of relationship that he could just drop in on Casey. They didn't merge their offices. Admiral Inman did not sort of volunteer to sit in on meetings with Casey, and, indeed, according to Admiral Inman's statement, he and Casey had a pretty firm division of labor which Admiral Inman felt sort of excluded him from tending to operations and covert action, that Mr. Casey was going to handle that by himself.

I visited with Mr. Inman on one occasion when he was Deputy Director. I had retired at the end of 1981, and in March or April of 1982, Mr. Casey called me in for a consultation. I looked up Admiral Inman as a matter of courtesy, and I could sense that he, indeed, was out of the loop, unlike McMahon or unlike any Deputy Director before him. And he indicated to me at that time that he was unhappy and he was considering quitting. And, originally, his understanding with the Administration was that he would stay 18 months only. In fact, he only stayed about 14 months.

So Inman was a special case, I regret to say, because I venture to conclude that, had Admiral Inman become Director of Central Intelligence, a lot of things about which we now talk would not have happened.

But Gates came in under an entirely different flag. Gates was Casey's creation. Gates was a relatively junior officer. He was a special assistant, or I think they called it Executive Assistant, to Admiral Turner. Then he became National Intelligence Officer for the Soviet Union. That was a big promotion. He was relatively young for the job, and he caught John Bross' eye, the late John Bross' eye.

Now Bross, way back in the past, once used to be chief of the Eastern European Division, and, before that, he was head of the OPC—that was the original covert action organization—chief of the

Soviet Division. So he was very much interested in Soviet affairs. And he thought it would do good to put Gates in as Casey's assistant, as I said, to be a buffer between Casey and Inman.

Well between Casey and Gates, it was love at first sight. I don't know if Gates loved Casey, but Casey loved Gates, and that was the more important part. And he promoted Gates very rapidly. Within a matter of months, he made him Deputy Director for Intelligence, as I recall over 40 or 50 senior officers. Then, when McMahon left, he moved him up to be Deputy Director, which was truly a very remarkable progression because Gates had never served as a station chief abroad. He didn't have many of the other credentials that Deputy Directors of CIA used to bring with them.

Frank Carlucci was ambassador and Under Secretary of Health, Education and Welfare. Other Deputy Directors held high military rank. Gates was truly an exception. He didn't have any outside credentials for the post of Deputy Director.

Frankly, I think he got into too deep water very quickly, and he would have been well advised to take on as a special assistant a very experienced officer with operational experience, which is exactly what Frank Carlucci did, who came in without an operational background—somebody who sort of, to show him the road through the minefields. But that didn't happen.

So Gates was out of the loop sometimes, but in a very different sense from the way it was implied: not that anybody placed him outside the loop; but he just didn't know where to look for the buttons. And, as a result, a lot of things may have escaped them. But the fact is that what escaped him nevertheless happened.

I have absolutely no quarrel with Gates' performance, you know, because you've got to allow for his relatively young age, his operational inexperience, being thrust into too big a job without previous extensive executive experience. My problems with Gates started when he started to testify.

Now, let me answer specifically Senator Cohen.

You say that there was no knowledge in CIA about the November, 1985 HAWK for missiles shipment contemporaneously. The Operation Directorate chronology, which was submitted to Deputy Director Gates on the 19th of November, 1986—this is called Newest, 1500 hours, 19 November—starts out, "In late November, 1985, the NSC asked CIA for the name of a discreet, reliable airline which could assist the Israelis in transporting a plane-load of Israeli HAWK missiles to Iran. The airline was hired to transport a Boeing 707 load of weapons from Tel Aviv to Tehran. When senior CIA management learned that this had occurred, it was decided that a Finding was necessary before the Agency could provide any future support of this type." That was the only CIA support provided prior to the Finding.

Now, Senator Cohen, the statements that I make in the written document submitted to the Committee, I didn't invent any of those things. Believe me, there's a document from which those statements were extracted.

Now, it can be argued whether I interpret the evidence correctly or not. That's a debatable point. You can get on almost any subject in the world expert witnesses to testify for either side. I happen to testify for one side. But there was this document. It said, "In late



November, the NSC asked CIA for the name of a discreet, reliable airline to assist the Israelis in transporting a plane-load of HAWK missiles to Iran."

Now there was also a cable from Lisbon. General Secord, by his own statement, by the testimony of the CIA station chief in Lisbon, by the testimony of the deputy station chief in Lisbon, by the statement of the Charge d'Affaires of the American Embassy in Lisbon, a career Foreign Service Officer, all agree that General Secord advised the CIA station chief that this big, mysterious deal he's involved in in Lisbon concerns the transshipment of HAWK missiles for which he was authorized by the NSC to ask for CIA's assistance. The testimony is that a cable to that effect was sent to CIA Headquarters and, out of some 78 or 79 cables in that timeframe dealing with this specific operation, this is the only cable that is missing. And this is very significant because this cable offered proof there was contemporaneous knowledge in CIA, both in Lisbon and in CIA, that during the last week of November a shipment of HAWK missiles was being implemented through Lisbon. And you had said something about the Special Counsel.

I cannot go to the Special Counsel because I am the recipient of immunized information.

That's all I want to say in reply.

Chairman BOREN. Thank you very much, Mr. Polgar. We will begin now with our questions.

As I understand it, you retired after well over 34 years of service, I believe.

Mr. POLGAR. Well, I had 38 years of government service, of which 34 were with the CIA.

After I retired, I was engaged as a consultant by the Defense Intelligence Agency and the terms of that consultation were stretched a little bit. And I also did some work for Mr. Ikle when he was Deputy Under Secretary of Defense for Policy and for Mr. Nestor Sanchez in international relations at the Pentagon.

Chairman BOREN. You were not at the CIA specifically as an employee during the time that Mr. Gates was the Deputy DCI?

Mr. POLGAR. No, sir. I never met Mr. Gates, except on some social occasions in 1985 or so, and in the course of the Iran-Contra investigation.

Chairman BOREN. So, before the Iran-Contra investigation, you had only met Mr. Gates once or twice?

Mr. POLGAR. That is correct, on social occasions.

Chairman BOREN. On social occasions.

Did you ever have any professional working relationship with Mr. Gates?

Mr. POLGAR. No, sir.

Chairman BOREN. Did you have an opportunity to observe the working relationship by being in meetings or otherwise between Mr. Gates and Mr. Casey, either during the time that Mr. Gates was the Deputy Director for Intelligence or during the time that he was the Deputy Director of the CIA?

Mr. POLGAR. No, sir.

I actually met Mr. Casey on a number of occasions, both abroad and in the United States. Mr. Casey called me back on one occasion

and offered me a very nice job. But I didn't feel I could come back from retirement.

But no, I never met Mr. Gates either in Mr. Casey's company or otherwise.

Chairman BOREN. I don't by asking this question, mean to demean your conclusions at all. You've spent a lot of time as a member of the investigating staff of the Iran-Contra Committee, but your own conclusions, which you've reached, are based not upon your personal experience, for example, like meeting with Mr. McMahon and Mr. Gates in December, or meetings with Mr. Casey or Poindexter or others—but on your study of the record, reading of documents, looking at dates and places of meetings, the personalities involved in meetings. It is your examination of the record, based upon your own past professional experience in the Agency—

Mr. POLGAR. That is correct, Senator.

Chairman BOREN [continuing]. That has led you to these conclusions?

Mr. POLGAR. That is correct, Senator. It is all based on Iran-Contra related events.

It would not, for example, have occurred to me in my wildest dream to oppose Mr. Gates' nomination to be Deputy Director of Central Intelligence in April of 1986, because at that time I knew absolutely nothing of a questionable nature about him.

Chairman BOREN. Right. So it is really based upon your reading and study of the record during principally the time that you served as a staff member for the Iran-Contra Special Committee?

Mr. POLGAR. Yes, sir, exclusively on the record as I became acquainted with it at that time.

Now, I might say that Mr. Liman and I did not see exactly eye to eye always on how this investigation should be conducted, because I am not a lawyer. I am an intelligence officer and I am an investigator. Mr. Liman, naturally, as you might expect from the Chief Counsel and from a distinguished lawyer, tended to look at things from the perspective of a lawyer and, I might say, from the perspective of a defense lawyer who wanted to be very sure that the prosecution can prove everything beyond the shadow of reasonable doubt. I thought that we were wasting a lot of time and that we were missing a lot of opportunities by not moving a little bit faster and by putting every interview into a sort of a legal framework.

I thought we should have moved a lot faster to get information before we start taking depositions.

Chairman BOREN. Thank you very much.

I may have some more questions at the end but I will turn now to the Vice Chairman for his questions.

Senator MURKOWSKI. Thank you, Mr. Chairman.

Mr. Polgar, I wonder if you would be kind enough to just spend a few moments giving us your personal evaluation of Mr. Gates. I mean, you don't know him well. You met him socially. You haven't worked with him. But, clearly, you've done a great deal of research, and one can certainly draw a conclusion from your testimony.

I just wonder if you'd spend a few minutes evaluating Mr. Gates from the standpoint of your own personal perspective.



Mr. POLGAR. Yes, sir, with pleasure, Senator Murkowski.

Well, let's start with the positive side. There's absolutely no question that Mr. Gates is an outstandingly intelligent man.

He's very well educated, he's very hard working. He has got drive, he's resourceful. He is ambitious, and I mean that in a good sense of the word. There hasn't been a chief of Mr. Gates in recent years—and I'm talking about the last 12 or 15 years—who wasn't wildly enthusiastic about Mr. Gates as a subordinate. Everybody loved his performance, from the point of view of the chief, because I think he was a very, very competent asset to any chief. He was fast, he's imaginative, he puts out papers, he provokes thought—fine. That's the one side of the equation.

The other side of the equation that when, for the first time, when Mr. Gates got into, shall we say, into an area of difficulty—which I'm perfectly happy to concede was not of his making—he didn't perform very brilliantly. He didn't seem to recognize what the nature of the problems were that he was dealing with. And I'm talking particularly about the period from 1 August, 1986, onward. 1 August being the approximate date when Mr. Richard Kerr, then Deputy Director of Intelligence, informed him of the Allen information about the possible diversion.

First of all, Mr. Gates testified that he forgot about that conversation. As I suggested, that's a funny sort of conversation to forget. It isn't as if, you know, somebody said well, yesterday it rained in Indiana. I mean, here is one of the top people in the Agency, Mr. Gates' own successor as Deputy Director for Intelligence, saying Charlie Allen, one of our top analysts, says there may be a diversion taking place.

Well, I don't know to what, you know, what the exact law is that was violated by a diversion of U.S.-owned assets. But I'm sure there are plenty of paragraphs to cover it.

Well, it's not very often that a CIA officer gets such information on an operation being run out of the National Security Council staff. I'd like to think, thinking back to my own days as a station chief or as a staff chief in Washington, that when somebody tells us that some of my high-ranking colleagues are engaged in a felony, that's a conversation I would remember. And I think I would do something about it.

Now, Mr. Gates testified he couldn't recall the conversation and, therefore, obviously he didn't do anything about it. Well, that was the first example.

When Mr. Allen came directly to Gates, I believe on 1 October, Mr. Gates said well, tell Casey. Well, fine.

As it happens, he told Casey a week later. That didn't suggest that a very great urgency was attached to the issue, although I recognize that, as has been testified, there are 100 balls in the air simultaneously. Nothing is so important in CIA that something equally important wasn't going on at the same time.

It's also, I think, a question of perhaps Gates' relative inexperience of deciding of what is really important and what is perhaps not all that pressing.

All right. Then Allen briefs Mr. Casey, who is not altogether surprised. But he says put it on paper. Well, fine. So there comes another week's delay.

Now, one of the reasons for these delays, frankly, is that Mr. Allen is tremendously over-burdened. He holds about three or four positions simultaneously. Indeed, Mr. Gates is holding three or four positions simultaneously. He's not only Deputy Director, but he's also the chief of the Intelligence Council, the National Intelligence Council. He is also the chief of the Executive Council of the Agency, which passes on the highest personnel appointments and personal bonuses of Agency personnel. All these things take time.

Then, after the Hasenfus plane gets shot down the first week of October, closely followed by the revelations about the illegal arms shipments, the secret arms shipments to Iran, I think the front office gets completely overwhelmed and they really don't know what they are doing anymore. They are sort of running from pillar to post.

Senator MURKOWSKI. Well, I think you said about 1 August, 1986, Gates learned of the diversion. Is that right?

Senator POLGAR. Yes, sir.

Senator MURKOWSKI. But I believe the record shows that Mr. Gates was on vacation from August 1 to August 17, 1986.

Senator POLGAR. No, sorry. Mr. Kerr is informed by Mr. Allen and Mr. Allen, Mr. Allen informs Mr. Kerr and Mr. Kerr informs Mr. Gates, and Mr. Kerr stated that he did it approximately in the 1 August framework. I understand that Mr. Kerr has made a deposition to the Committee. I don't have that in front of me.

Senator MURKOWSKI. I know that Mr. Kerr will be before us.

Senator POLGAR. I accept whatever date Mr. Kerr gives to that meeting.

Senator MURKOWSKI. Well, I think it has some relevance. But I would just simply defer it to the staff to check.

Mr. Chairman, I would ask that the accuracy be reflected in the record.

On the November, 1985 cable from Lisbon to the CIA about the transshipment of the HAWK missiles, which you referred to in your testimony, are you inferring that Mr. Gates destroyed the cable?

Senator POLGAR. No, sir. I don't infer that Mr. Gates destroyed it. I think there is a good reason to believe who destroyed it. But I don't want to cut into the Independent Counsel's territory.

Senator MURKOWSKI. That, in your opinion, would be in the territory of the Independent Counsel?

Mr. POLGAR. I think it is.

Senator MURKOWSKI. What is your evidence that it is, in fact, missing?

Mr. POLGAR. Well, Senator Boren and Senator Cohen may well remember what we used to call the "Lisbon caper."

We tried to reconstruct all the November traffic between the Lisbon station and the Ankara station, which was also peripherally—

Senator MURKOWSKI. When you say "we," you're referring to the Iran-Contra Committee?

Mr. POLGAR. Yes, sir—tried to reconstruct the traffic. We were able to do so with considerable success. Based on our knowledge about the CIA cable control procedures, we were able to establish that some 80 cables passed between Headquarters and the field sta-

tions and the other way, and all of those cables have been recovered except for two. One cable that was not recovered was the initial cable from the Chief Europe Division to Chief of Station Lisbon, alerting him that General Secord is going to arrive and should be given all assistance. The fact that we couldn't recover that cable wasn't important because everyone agrees that the cable was sent and everybody agrees what was in the cable.

The other cable which we couldn't cover, which we couldn't find, was Chief of State in Lisbon's report on his conversation with General Secord. We have sworn testimony from the Chief of Station, from the Deputy Chief of Station, from the Chief of Communications in Lisbon that such a cable was sent. We have sworn testimony, deposition, from the Charge d'Affaires of the American Embassy saying that the Chief of Station had informed him of his conversation with Secord and that he, the Chief of Station, is about to go down to his office and send a cable to Headquarters covering this subject.

We also have sworn testimony from CIA communications in Washington to the effect that a CIA cable, once sent, can be lost only after receipt. It cannot be lost in transit. There are all kinds of electronic and manual checks, visual checks, to make sure that the—

Senator MURKOWSKI. Speak closer to the mike.

Mr. POLGAR [continuing]. That the so-called site numbers and check numbers on cables between field stations and Headquarters always match. And then there is an unmatching number, suggesting that a cable is missing, or that a number was erroneously assigned.

The computer starts to holler, and when the computer starts to holler, and even if it doesn't, at the end of every 24 hour watch period, there's a visual check on the correctness of all transmission numbers. So there's no question that the cable was sent. There's no question that the cable arrived. And there's no question that CIA could not recover this cable for the Committee's inspection.

The reason they couldn't recover it, in my opinion—and this is my opinion; when the Independent Counsel brings this to court, it will be more than an opinion—that cable was destroyed.

Senator MURKOWSKI. Well, the inference that somehow Mr. Gates had some involvement in the whereabouts of the cable, what evidence, if any, do you have that Mr. Gates saw the Lisbon cable? He was head of the analysis section and not the operations section back in 1985, I believe.

Mr. POLGAR. I do not infer that Mr. Gates saw that cable. I'm not talking about that cable in connection with Gates at any point in my testimony.

Senator MURKOWSKI. Thank you.

You note in your prepared statement that Gates was fully in the loop in the management pattern set by his predecessor, John McMahon. Is it your understanding that John McMahon, when he was deputy to Bill Casey, was fully in the loop?

Mr. POLGAR. Yes, sir, to the extent that he wanted to be or his time permitted, which was mostly.

Senator MURKOWSKI. In the sense that he wanted to be, as opposed to what Mr. Casey wanted him to be? Is that your statement?

Mr. POLGAR. Mr. Casey was a very informal sort of chief. Senator MURKOWSKI. I understand that.

Mr. POLGAR. I had experience with him in Germany when he was my house guest for a couple of days. He was not what you might call the best organized bureaucrat in the world. That was not his thing.

Senator MURKOWSKI. I think that's a concession.

Mr. POLGAR. He relied on his subordinates to do the housekeeping for him. But he would make his calendar available to his deputy every day, and it was up to the deputy to decide what are the things that they should handle jointly, what are the meetings that he wants to sit in on, and what are the things that are, perhaps, of not that great interest, always bearing in mind that there is more work than can be handled.

So a deputy has to have a certain sixth sense to make the right choices of what it is he wants to be in on. Even at the lower level in CIA, in a division, where you usually have a division chief, and the deputy division chief, and the chief of operations, or maybe a chief of plans, all four of them cannot go together to all meetings. They've got to have some kind of an agreement on who does what to who and how they will coordinate with each other.

Senator MURKOWSKI. You indicate in your prepared statement that Mr. Gates was not only well aware of the Iran-Contra development but had direct involvement with that already as Deputy Director for Intelligence. Are you suggesting that Mr. Gates became Deputy Director of CIA in April of 1986 and that he knew that there was a diversion of funds to the Contras at that time?

Mr. POLGAR. No, sir. There is absolutely no reason to assume that in April of 1986, Mr. Gates, or for that matter anybody else, knew about the diversion in CIA.

Senator MURKOWSKI. But the October first date?

Mr. POLGAR. Well, the October first date is more conjectural. By October, there was an awful lot of National Security Agency information which indicated that the Iranians were being overcharged. There were only about 12 or 14 people in CIA who regularly received that information. Mr. Gates was one of them.

Now, granted, that perhaps he didn't have enough time to look at all those reports or digest them. And they don't make the most exciting reading when you look at them out of context.

But he certainly knew that Mr. Allen was hired for the purpose of analyzing such material. And, therefore, when Mr. Allen, against his background, and being the repository, the official repository, for that NSA information within the CIA, says that I reached the following analytical conclusion based on the intelligence that's available to me, I think that's something you've got to pay some attention to.

Senator MURKOWSKI. When you say that——

Mr. POLGAR. You can't dismiss it as just being flimsy.

Senator MURKOWSKI. Well, we're going to have a chance, obviously, to talk to some other witnesses——

Mr. POLGAR. Yes, sir.

Senator MURKOWSKI [continuing]. Who may be able to enlighten us on your generalization.

When you say that Mr. Gates knew of the Iran-Contra facts, Mr. Gates was aware of the Iran arms shipments and has not denied that. But are you suggesting that he has denied knowledge of the Iran arms shipment?

Mr. POLGAR. Well, I think we have got to make a distinction between Mr. Gates' various statements while Mr. Casey was still alive and his statements after Casey was no longer alive. His statements after the death of Casey were remarkably more accurate.

But I'm not giving him, I'm not suggesting that everything he has said subsequent to Mr. Casey's death is 100 percent accurate.

Senator MURKOWSKI. Well, tell me, was your analysis of Mr. Gates made part of the Iran-Contra report?

Mr. POLGAR. No, sir, and, indeed, the reason for that is that the Iran-Contra Committee never really got around to examining the CIA role until the last week of the hearings.

That was the first week of August, 1987. We held closed hearings at which the witnesses—

Senator MURKOWSKI. Would you speak a little louder, please.

Mr. POLGAR. We had closed hearings, at which the witnesses were Mr. George, Mr. Fiers, and I believe Mr. Fernandez, and Mr. Clarridge. We did not, Mr. Gates was not called as a witness for that hearing, and the explanation was—and I think Senators Boren and Cohen will bear me out—that it was felt that the questioning of Gates at that point would go so deeply into the affairs of CIA that the Intelligence Committees would be a better venue in which to continue those examinations, especially since the charter of the Iran-Contra group was expiring.

Senator MURKOWSKI. Well, I'm going to defer follow-up on that question. I think Senator Rudman could perhaps give us an evaluation of your comments with regard to the—evidently the fact—that during the last week of August, the Iran-Contra Committee chose not to get into this area because of the intelligence aspects associated with it, which I believe is your statement.

My last question, Mr. Chairman, is I think it's fair to say that we're generally under the premise that the Special Counsel after—and this is conjecture, but one can assume, and Mr. Gates is not a target of the Special Counsel, but probably in the realm of a subject—your extended comments I think would lead one to suggest that there may be an inappropriate classification of where Mr. Gates should belong in that comparison. I'm wondering if you'd care to categorize, in your opinion, where you feel Mr. Gates belongs.

Mr. POLGAR. No, sir. That I'm not able to tell you. But I will tell you that I'm not one of the, shall we say, admirers of the way Mr. Walsh has conducted his investigation.

Senator MURKOWSKI. Thank you, Mr. Chairman.

Chairman BOREN. Thank you very much.

Let me go over the order in which I have Senators listed. I have Senator Cranston to question next; Senator Gorton; Senator Bradley; Senator Warner; Senator Metzenbaum, if he returns; Senator Rudman, if he returns; Senator Chafee; Senator Hollings; and Senator Nunn—in that order.

So I turn now to Senator Cranston.

Senator CRANSTON. I believe there's nothing in the record indicating Mr. Fiers—

Senator CHAFEE. Alan, is your mike on? We can't hear you.

Senator CRANSTON. Is it on now? Yes.

It's my understanding there's nothing in the record indicating Mr. Fiers informed Mr. Gates of what he knew of the private benefactor operation, of North's private Contra resupply operation. I don't know anything specifically in the record that covers that.

In your own experience, is this kind of detail the kind of detail that the Directorate of Operations would normally report to the Deputy DCI?

Mr. POLGAR. Well, sir, we had different types of Deputy Directors in the CIA. We had Deputy Directors like Richard Helms, who certainly was in on absolutely everything. Then we had some military Deputy Directors, who had more specialized interests. When Mr. Carlucci was Deputy Director to Admiral Stansfield Turner, I believe I can say that Mr. Frank Carlucci was in on everything. He would come down to the Operations Directorate and sit in on our staff meetings. And there's absolutely no way that in the Operations Directorate, when the Deputy Director shows up at your staff meeting, you can say well, please leave, this is not your baby.

No, a Deputy Director is into operations to the extent that he wants to be.

Now, if I had been sitting in Mr. Gates' shoes, and in June of 1986, the "New York Times" has on the front page a long story about Mr. North's allegation, about allegations about Mr. North's operations, and the allegation that he is assisted by CIA in Central America, if I am the Deputy Director, I think I would have thought of calling up Mr. Fiers and say hey, Alan, what the hell is going on, what do you know about this. And if he asks a question, you can be absolutely sure he would have gotten the truthful answer.

Now, I concede to you that there is a sentiment in the CIA, there is, if you might like, a religion to the effect that we will not volunteer information; we will not lie, but you've got to ask the right question. And I think that may also apply in a situation where you have a Deputy Director not from the Operations Directorate, who perhaps is not one of the more beloved people around campus.

Senator CRANSTON. What level of detail would you expect a Deputy DCI to have on operational matters?

Mr. POLGAR. Well, sir, in the normal course of events, you don't discuss details of operations with the Deputy Director or even with the Director unless it's a type of operation that may result in great political embarrassment; because, just like in the military, you don't want the chief of staff to fight a corps battle, you don't want a corps commander to fight a regimental battle.

Everybody's sort of supposed to have his own area of responsibility and he ought to stay with that, allowing for some exceptional situations.

I have never had a Director or Deputy Director ask me, you know, who really is our penetration agent in such and such a political party in Germany. You know, that's really not his business.

Now, if my penetration agent happens to be the head of the government, yes, that is something that he ought to know because, if



that is divulged, there is going to be quite a bit of controversy about it.

So you have to judge the situation on who has to know what. And I think that goes both from the bottom up and from the top down. But, basically, the Director and the Deputy Director should know of those things which could be politically embarrassing.

Senator CRANSTON. Much of what you've told us seems to me to be based on supposition. Do you have any specific, precise evidence that Bob Gates knew of the diversion of funds from the Iran arms sale to the Contras before October 1, 1986, the date that he says he first learned about it?

Mr. POLGAR. No, and I don't believe I suggested that he did prior to that date.

Senator CRANSTON. That's all the questions I have, Mr. Chairman.

Chairman BOREN. Thank you very much, Senator Cranston.

Senator GORTON.

Senator GORTON. Mr. Chairman, thank you.

Mr. Polgar, you'll indulge me, I hope, surrounded, as I am, by Senators Cohen and Rudman, who lived through all of this with you for so long in 1987. I did not. In fact, I believe I'm the only Member of this Committee who was not a Member of the Senate in 1987, while all of this took place. But I do want to ask you once again something that you've already testified to, that was news to me when we began these hearings.

You retired from the CIA in 1981, did you not—

Mr. POLGAR. Yes, sir.

Senator GORTON [continuing]. Long before any of the events we're talking about took place.

Mr. POLGAR. I retired in December, 1981. I was a consultant for the Defense Department from 1982 through 1985, I believe June, 1982 through June, 1985. One of the jobs I did while I was consultant to the Defense Department was to examine all U.S. Government operations in Central America, including CIA's, with the concurrence of Mr. Casey. So I wasn't that far away.

Senator GORTON. I believe that you have made quite clear in your written statement here, but I just want to confirm it, that your views on this subject, therefore, are not based with the kind of first-hand conversations that much of this testimony is about within the CIA, but simply on your own thorough knowledge of the record.

Mr. POLGAR. That is correct, Senator.

Senator GORTON. A record which is available to the extent that they wish to look at it not only to any Member of this Committee but to any member of the general public.

Mr. POLGAR. That is correct, Senator.

Senator GORTON. Now I'm making my first reference, then, to your own statement, which will be to page 20, at least in the copy which I have here. The lines in your writing are this: "In December, 1986, Agency people from the Director on down actively shunned information."

Mr. POLGAR. Yes, sir.

Senator GORTON. "We did not want to know how the Contras were being funded. We actively discouraged people from telling us

things. We did not pursue lines of questioning." That was a quote, not your quote.

"These sentences," you say, if they were true, "amount to a terrible self-indictment by an intelligence officer. But, in fact, Gates was not telling the truth."

Now let me ask you a very precise question. When Mr. Gates said that he was shunning information, that the CIA was shunning information, what information was Mr. Gates referring to?

Mr. POLGAR. Well, I don't know what information he was shunning. But Mr. Fiers, in his capacity as Chief of Central America Task Force, sent on January 29, 1986—Boland amendment is in effect—a message to the Chief of Station in Honduras, and I quote: "As we are all painfully aware, this project"—meaning the Nicaraguan resistance project—"in all of its various incarnations, is far and away the most controversial undertaking of CIA. There is no margin for error. I write this because I'm increasingly concerned by what seems to be a laissez-faire approach to managing this project. It is now incumbent upon us to expand a strong influence on the resistance forces, guiding them in the right direction. You will be receiving shortly a series of cables from the communications, signals intelligence, logistics and finance intelligence. The field managers must have their finger on everything the resistance forces are doing, and we have to shape FDN management." That was the main resistance organization.

Senator GORTON. But, Mr. Polgar—

Mr. POLGAR. "We have to shape the FDN management to insure they are doing it right."

Senator GORTON [continuing]. Wasn't Mr. Gates' very specific reference when he made the quote which you've included here on page 20, to collecting information about the private benefactors' operations?

Mr. POLGAR. Yes, sir. I'll come to that in a minute. But let me just emphasize again that Mr. Fiers' Directive said you will certainly be receiving cables from the finance section, meaning he wanted information on the finances of the resistance organization.

Further, in Mr. Fiers' testimony to the Tower Board, he was asked about CIA assistance in arranging flight clearances for private aircraft. He replied that this was a simple question that has complicated answers, which he then didn't give. Well, when he was talking, when the CIA people were talking with us, they couldn't slide away quite so easily. And—

Senator GORTON. Well, in the middle—

Mr. POLGAR. Wait a minute.

Senator GORTON [continuing]. In the middle of all of that, I think you answered my question, that Mr. Gates was shunning information about the private benefactors. Weren't many of those private benefactors Americans?

Mr. POLGAR. Yes, and Senator—

Senator GORTON. And doesn't, does the CIA collect information on the internal operations of Americans?

Mr. POLGAR. Senator Gorton, would it surprise you if I told you that CIA reported on every single flight that these American private benefactors have mounted in Central America? There was detailed reporting on every flight—who flew it, from where, where to,



what they carried, et cetera, and that the CIA stations in Honduras, Salvador, and Costa Rica were getting their clearances for these private benefactor flights——

Senator GORTON. Well, they were collecting information on flights, but not on the source of the funding there, were they?

Mr. POLGAR. They may not have, I have not personally seen anything which relates to the financing of the operation, but the person——

Senator GORTON. Were you here this afternoon when Mr. McMahon was testifying?

Mr. POLGAR. Yes, sir. I was.

Senator GORTON. I heard him testify that it was CIA policy during his tenure as DDCI to shun information about the financing of private benefactors' operations. You have told us that you have the highest respect and total belief in him. Why do you fail to believe Mr. Gates when he says exactly the same thing?

Mr. POLGAR. Mr. McMahon stated what the policy was and I'm telling you what the facts were.

Senator GORTON. Well, with all due respect, that seems to be a distinction without a difference.

Mr. POLGAR. No, sir.

Senator GORTON. What Mr. McMahon said is exactly what Mr. Gates said.

Mr. POLGAR. The station chief in Honduras testified that after the Boland amendment came into effect, the CIA's reinvolverment with aerial resupply began. When the station was given the task of reporting on the receipt of supplies and to obtain flight clearances, this inevitably led to continuing contact with the people handling the supplies and with those controlling the aircraft. How were the clearances to be obtained without knowing specifics?

Senator GORTON. What indication is there in all that you've read that Gates knew anything about that?

Mr. POLGAR. Because the Contras——

Senator GORTON. McMahon says he didn't know, and he was directly in the line.

Mr. POLGAR. There was a whole body of daily information flowing into CIA headquarters on what was taking place with the private resupply in Central America. If Mr. McMahon chose not to address that, although most of that happened, in fact, after he left, or Mr. Gates chose not to address that, I can't help that. But the information was there. CIA reported on it through its regular reporting channels, and the Contras were being given supplies by the private benefactors. They were not being given any money.

Senator GORTON. Well, I must say I fail to understand why you will totally understand Mr. McMahon, who was in the direct line, his statement on that subject and will not accept Mr. Gates, who was not in that direct line.

But let's go on. Let's go back to page 4.

You state there, and I'm quoting you: "By early 1986, it would have been impossible for any senior CIA officer, let alone the Deputy Director, not to know that the CIA was involved in support for the Contras."

Now you may comment on this, Mr. Polgar. I hope you will. But it seems to me to make a statement like that is disingenous. Obvi-

ously, CIA had been engaged in supporting the Contras in a legal fashion for an extended period of time. It seems to me that the issue here is whether Gates knew about illegal CIA support to the Contras, not your line here of "involved in support of the Contras." You've just answered a question, I think from Senator Cranston, though perhaps it was Senator Murkowski, that Gates didn't have any such knowledge, as far as you know, before October 1, 1986. How early in 1986 should all—and I'm using your quote—senior CIA officials have known about illegal support for the Contras? How early should Mr. McMahon have known about it?

Mr. POLGAR. I think that the first part of the paper, sir, is entirely in the context of was Mr. Gates in the loop on the Contras or not. I don't think there's any allegation made there about illegal activities.

You may have seen statements in the press by some friends of Mr. Gates to the effect that he was completely cut out of Contra-related activities.

Senator GORTON. I'm sorry. This buzzer was on. Would you repeat that answer. I couldn't hear a word.

Mr. POLGAR. That part of the statement has nothing to do with any allegation of illegality. It is simply meant to illustrate that Mr. Gates was in the loop, like all other senior officers, as to the Contra operation.

Senator GORTON. Okay. Let's go on to page 8.

You say, "In July, 1986, Admiral Poindexter sent an electronic message to North on the latter's proposal to sell General Secord's enterprise to the CIA. Would a careful man like Poindexter talk with Gates unless he knew for certain that Gates was among the people at CIA who know about the private effort?"

Well, again, Gates never denied knowing about that initiative and admits hearing about it in December, 1985. But Poindexter denied that they ever told Gates anything about it. North says he didn't do so. Alan Fiers said he had no knowledge of Gates being told about it. If all these central figures deny telling Gates about the diversion, the illegal part of this, why are you so certain that Gates knew about it? When do you think he did know?

Mr. POLGAR. You are referring to page 8? Did I get that right?

Senator GORTON. Yes.

Mr. POLGAR. Well, that deals with Mr. Gates' knowledge of the private enterprise, the private benefactors, the private effort should be phased out. That has nothing to do with the diversion.

Senator GORTON. Well, I repeat, if Poindexter and North say they never told Gates and Fiers says that he doesn't know about it, why are you so certain that Gates did know? And when do you think he did know?

Mr. POLGAR. Told Gates about what?

Senator GORTON. The illegal diversion.

Mr. POLGAR. I'm not talking about any diversion there.

Senator GORTON. So you're not making any accusation that—

Mr. POLGAR. I'm not making. All I'm saying is that Admiral Poindexter's electronic message indicates that Mr. Gates must have had substantial knowledge of the private benefactors, or should have after Admiral Poindexter talked to him about it.

Senator GORTON. He's long since admitted that. Why do you even bother with that?

Mr. POLGAR. Well, I can show——  
 Senator GORTON. Presumably it leads to something that he did wrong. What did he do wrong in connection with all of this?

Mr. POLGAR. Again, I refer back to the statements that he was out of the loop with regard to the private benefactors or the Contras. He denied knowledge of General Secord, for example.

Senator GORTON. I guess I'm out of time. I'll come back to this.

Chairman BOREN. Let me ask Members this question. We, unfortunately, have three back to back votes on the floor which, if they are reduced to ten minute votes, will still take a total of 35 minutes. If they are not, it would take 45 minutes, which means we would have to come back at 10 o'clock. I hate to ask this witness to come back in the morning. We are going to be pressing to make sure that we finish in the morning because several Members have told me that they cannot go past noon tomorrow.

We do have Admiral Inman. As I've already indicated, I think we're probably going to have to have Mr. Allen and Mr. Kerr in open session on Tuesday and do our closed matters, which should take about half a day each, during a full day of closed session on Wednesday.

Let me just ask Members if they could give me some estimate of the amount of time they think they'll take when I do come to them for questioning.

Senator CHAFEE. Well, Mr. Chairman, let me say that I'm one of the potential questioners, and I'll just waive my time. I think that we've pretty well plowed this ground and I'll forego any questions.

Chairman BOREN. Senator Metzenbaum, do you have, did you say a couple of questions?

Senator METZENBAUM. I only have one question, and that is to ask this man why he came forward to testify.

Senator CHAFEE. I think that question's been asked, hasn't it? If that's the only one, three cheers.

Chairman BOREN. Senator Bradley?

Senator BRADLEY. Mr. Chairman, I don't. I have a question I could ask, but if no one else wants to——

Chairman BOREN. Senator Chafee will waive his. Does Senator Rudman have two questions?

Senator RUDMAN. No. I'd like two minutes.

Chairman BOREN. Two minutes. Well, I think if we could do that, then——Senator Gorton, how much longer do you have to go?

Senator RUDMAN. Well, it looks like we're going to finish this whole thing in five minutes.

Senator GORTON. Well, I've got to have extended rounds.

Chairman BOREN. Let's ask them to hold the roll call vote for us for ten minutes.

Senator CHAFEE. Mr. Chairman, I enthusiastically gave up my rights. But if everybody else is going to go on for hours, I'm going to jump in there.

[General laughter.]

Chairman BOREN. Oh, I don't believe that's the case. I hear a total of one question and two minutes.

Senator BRADLEY. I have one question.

Senator HOLLINGS. I've one question.

Chairman BOREN. Maybe one question. I believe we can do that. Let's call the floor and ask them to hold the vote for us. We will try to complete here.

First, Senator Bradley, who is next on my list. Then Senator Metzenbaum.

Senator BRADLEY. Mr. Polgar, today the Senate Committee released the interrogatories by the CIA's lawyers, Mr. Dave Doherty and Mr. Bernard Makowka. Have you reviewed those?

Mr. POLGAR. No, sir.

Senator BRADLEY. I have no question, then.

Chairman BOREN. Senator Metzenbaum.

Senator METZENBAUM. Mr. Polgar, I never met you before. I don't know you at all. I'm impressed with your testimony. I'm impressed with the fact that you've been involved in this business for 38 or 40 years, something like that. I'm also impressed with the fact that you have to alienate some of the other people in the Intelligence Community by your testimony.

Why did you come forward with this testimony? What motivated you to do so?

Mr. POLGAR. Well, Senator, as on the record, I was with the CIA for 34 years and a couple of years with OSS before then. For me, it has been a wonderful experience, and I can truthfully say that I had the rare privilege of holding a job for 34 odd years which I really liked in an organization which was more than a second home for me, maybe my first home. I had the rare privilege of working with people like Allen Dulles, General Walter B. Smith, Dick Helms, and I really feel that in Mr. Gates, the President for whom I have the greatest respect and who I know well personally—and I may say for the record that he has been my house guest and I've been in his home—I think he has made a mistake. He has taken a surviving relic of an old regime, of a discredited regime, and, given the shape of the world that we are looking forward to, I think it would be better for CIA to make a new start.

Senator METZENBAUM. Thank you.

Chairman BOREN. Thank you, Senator Metzenbaum.

I neglected earlier to put some things into the record. Let me just say, without objection, I'd like to place the following documents which we're making public today into the record: one, the deposition of Richard J. Kerr; two, the deposition of the Latin American Division Chief Number Two; and, three, the sworn statements of Mr. David Doherty, Bernard Makowka, Charles Allen, Richard J. Kerr, John Helgersen, and Tom Twetten.

Without objection, those will be placed as part of the record.

[The documents referred to follow:]

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UNITED STATES

TRANSCRIPT OF PROCEEDINGS

BEFORE THE

SELECT COMMITTEE  
ON INTELLIGENCE

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DEPOSITION OF RICHARD KERR

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Wednesday, September 11, 1991

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WASHINGTON, D.C. 20510  
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RICHARD KERR,  
Acting Director of Central Intelligence

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## ALSO ATTENDING:

Stan Moscovitz, CIA  
David Holmes, CIA

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## DEPOSITON OF RICHARD KERR

Wednesday, September 11, 1991

United States Senate,

Select Committee on Intelligence,

Washington, D. C.

The Select Committee met, pursuant to notice, at 5:50 o'clock p.m., in Room SH-219, Hart Senate Office Building, the Honorable David L. Boren, Chairman of the Committee, presiding.

Present: Senators Boren, Cranston, Metzenbaum, Glenn, Murkowski, and Rudman.

Also Present: George Tenet, Staff Director; John Moseman, Minority Staff Director; Britt Snider, Chief Counsel; Kathleen McGhee, Chief Clerk; and Fred Ward, Regina Genton, Tim Carlsgaard, John Elliff, Arthur Grant, James Wolfe, Don Mitchell, Jennifer Sims, Jeff Roe, Edward Levine, Chris Straub, Gary Sojka and John Despres, Staff Members.

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P R O C E E D I N G S

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2 CHAIRMAN BOREN: As we begin this afternoon to take  
3 additional testimony today from Mr. Richard Kerr, the Acting  
4 Director of Central Intelligence, to ask him to respond to a  
5 limited number of questions related to the Gates' confirmation  
6 process, I apologize that the meeting had to be hastily  
7 arranged earlier this afternoon after the Committee came into  
8 possession of a new document this morning which raised issues  
9 which I think require a clarification, and I will get to that  
10 in questioning. However, I do want to express my thanks to  
11 Mr. Kerr for his willingness to come down on very short  
12 notice. We know he is carrying very heavy responsibilities as  
13 Acting DCI and I apologize that we had to ask you to come on  
14 such short notice, but we wanted to clarify these issues as  
15 quickly as we could as we prepare for the confirmation  
16 process. So we appreciate very much your willingness to come  
17 on short notice and assist us.

18 Unless you have any preliminary comments to make, I would  
19 suggest we just proceed with the swearing in. Do you have  
20 any?

21 MR. KERR: No, none whatsoever.

22 CHAIRMAN BOREN: If you please stand then and be sworn.

23 Do you swear that the testimony that you are about to  
24 give is the truth, the whole truth, and nothing but the truth?

25 MR. KERR: I do.

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CHAIRMAN BOREN: Please be seated.

1 I will proceed through some questions that the staff has  
2 prepared along with a consultation with the Vice Chairman and  
3 myself. And let me say, if other members want ask additional  
4 questions when I complete, or if there is a point that you  
5 feel needs clarification, don't hesitate to stop me as we go  
6 through this process.  
7

8 Mr. Kerr, in response to the written questions posed to  
9 you by the Committee, you stated that in the late summer of  
10 1986, that Charles Allen came to you and said that the U.S.  
11 arms were being sold -- that U.S. arms were being sold to  
12 Iran. He told you that there was reason to believe that these  
13 arms were being sold at inflated prices. And at the end of  
14 the discussion, according to your earlier responses, he  
15 speculated that the money might be going to the Contras. He  
16 offered no evidence of this as I recall your -- your summary  
17 of the conversation, merely giving you his personal  
18 speculation.

19 And in your answers you go on to say that you raised this  
20 with Mr. Gates who was then the DDCI at the time, either the  
21 same day or the following day. And you indicated in your  
22 answers that this occurred not in a formal meeting, but rather  
23 in a meeting where you walked into his office and discussed a  
24 number of items including this one, and you say you do not  
25 know what Mr. Gates did with this information.

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1 Is that a fairly fair summary of the high points of your  
2 answers?

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## TESTIMONY OF RICHARD KERR

## ACTING DIRECTOR OF CENTRAL INTELLIGENCE

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3 MR. KERR: That's about the extent of it, to be precise.

4 CHAIRMAN BOREN: The notes of your interview with the  
5 Iran-Contra Committee reflect that you said that these  
6 meetings with Allen and Gates took place in the August 1986  
7 time frame. Is that correct?

8 MR. KERR: I have been uncertain from the beginning of  
9 precisely the date. I do not have a record of it nor do I  
10 have a record in any of my appointments that would give me a  
11 sense of it, so I had to reconstruct the time. And the best I  
12 could come to in my own mind, trying to eliminate other  
13 activities and narrow it down, was in late August -- the late  
14 August time frame. And I think that is a rough -- a pretty  
15 accurate --

16 CHAIRMAN BOREN: Late August of 1986.

17 And in your answers to the Committee's written questions,  
18 you say the meetings took place in the late summer of 1986.  
19 You have already indicated to me that you really can't be any  
20 more precise than that as to when the meeting took place, is  
21 that correct?

22 MR. KERR: Yes, that's correct.

23 CHAIRMAN BOREN: In the memorandum prepared by the staff  
24 of the Iran-Contra Committee of the interview with you on --  
25 which was made on September the 2, 1987 -- that is the Special

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1 Iran-Contra Committee -- you recall telling Mr. Gates that,  
2 quote, "that the amount of money involved," i.e., diverted to  
3 the Contras, "was substantial," end quote.

4 Do you recall now having said that to Mr. Gates at the  
5 time?

6 MR. KERR: I cannot with precision describe my  
7 conversation except to describe, as you originally indicated,  
8 that Mr. Allen indicated that money was being diverted, and  
9 the kinds of overcharging that he described initially was  
10 significant. So that's not inconsistent with what I would  
11 have said.

12 CHAIRMAN BOREN: So the memorandum prepared by the staff  
13 as a summary of your interview with them would be accurate as  
14 to that point?

15 MR. KERR: Yes.

16 CHAIRMAN BOREN: What if anything do you recall that Mr.  
17 Gates said when you told him about Allen's speculation?

18 MR. KERR: Again, I am primarily stuck at this point in  
19 time with my own written records and things that I have said  
20 about what I thought I said. So I begin to lose my place a  
21 little bit in this, except to go back to those earlier records  
22 of statements. And my impression in looking back at my -- at  
23 the records that were made and the various interviews that  
24 were made during this period or subsequent to this period was  
25 that Bob obviously expressed interest in it, was concerned

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1 about it. My impression was that he may have had rumors of  
2 that or at least quite simply when you dealt with issues  
3 involving Ollie North, things would not surprise you a great  
4 deal, so it was in that context of information received,  
5 concern about it, and asking to be kept informed about it.

6 CHAIRMAN BOREN: He asked to be kept informed.

7 The Committee has in its possession another memorandum  
8 recounting your September 3, 1987, interview with the  
9 Iran-Contra Committee, this one prepared by the staff of the  
10 -- a staff member of the CIA Office of Congressional Affairs.  
11 And according to this particular memorandum, you told the  
12 Iran-Contra Committee -- this is again a memorandum about the  
13 same interview with the Iran-Contra Committee staff that we  
14 mentioned earlier. The first memorandum prepared by the  
15 Iran-Contra Committee staff member. This memorandum prepared  
16 by a staff member at CIA's Office of Congressional Relations.  
17 And according to this particular memorandum prepared by the  
18 CIA Office of Congressional Affairs, you told the Iran-Contra  
19 Committee that when you informed Gates of Charlie Allen's  
20 speculation, that Bob Gates responded that he was, and now I  
21 quote the CIA report, quote, "he was aware that rumors were  
22 circulating that profits were being made on the sale of arms  
23 to Iran and that money from the arms sales was being made  
24 available to the Contras."

25 Do you recall now that Mr. Gates made a statement like

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1 that to you at the time?

2 MR. KERR: Well, I would go back, I think, to the comment  
3 I just made, and that is I think that -- my impression again,  
4 looking back over and trying to recall precisely that event  
5 was that he expressed surprise, concern, but some suggestion  
6 that there had been rumors or there had been -- that something  
7 to that effect that he had heard before. But that would be  
8 about the extent of my ability to clarify it.

9 CHAIRMAN BOREN: According to your answers to the  
10 Committee's recent written questions, you do have a  
11 recollection of "talking with Mr. Allen again regarding Mr.  
12 Ghorbanifar and the arms, but the subject of overcharging and  
13 the use of 'extra' funds was not further discussed." I am  
14 quoting your answer. You also go on to say that you never  
15 discussed the subject again with Mr. Gates, even after his  
16 conversation with Mr. Allen -- or after this conversation, I'm  
17 sorry; correction. You go on to say in your answers to us  
18 that you did not discuss this subject again with Mr. Gates  
19 even after this conversation with Mr. Allen.

20 MR. KERR: That's correct.

21 CHAIRMAN BOREN: Is that correct?

22 MR. KERR: Yes.

23 CHAIRMAN BOREN: Why did you not have further discussion  
24 with Mr. Gates in that he apparently, according to your  
25 memory, said keep me informed or keep me updated on this

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1 matter.

2 MR. KERR: Well, first of all, I had -- no other  
3 information regarding this particular subject of significance  
4 came to my attention from any party that I can recall. I  
5 considered the first conversation with Charlie Allen to be  
6 just speculation about what the money, the extra money might  
7 be put to, and had no further knowledge about that. So I  
8 really had no basis for a further discussion on that, nor was  
9 I involved in any direct way in the process. So it would have  
10 bene unlikely in any way that -- of dealing with the Iranians  
11 other than providing intelligence support, which is another  
12 issue, so it would have been unlikely that information of that  
13 sort really would have come to me. And it wasn't something  
14 that I would necessarily go out and seek, because given the  
15 circumstances, the way it was given, the nature of that  
16 speculation, it was not an issue that I was deeply involved  
17 in.

18 CHAIRMAN BOREN: Did you take any other action on the  
19 basis of Charlie Allen's speculation at all?

20 MR. KERR: No, I talked -- as I indicated to staff, I  
21 talked to Charlie Allen subsequently. he came to me -- he  
22 really was not in my chain of command. He did not report to  
23 me. I think he came to me in part because I know him and  
24 because I talk to him.

25 SENATOR RUDMAN: Who did he report to?

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1 MR. KERR: He was the -- he was a member of the National  
2 Intelligence Council up until the time that Bob Gates became  
3 the DDCI. He reported to the DDI as chairman -- who was both  
4 the Director of Intelligence and the Chairman of the National  
5 Intelligence Council. At that point there was then a separate  
6 Chairman for the National Intelligence Council independent of  
7 the Directorate of Intelligence that I was involved in.

8 SENATOR CRANSTON: What was Allen's responsibility?

9 MR. KERR: He was the -- let's see, at that time --  
10 terrorism?

11 CHAIRMAN BOREN: Charlie Allen?

12 MR. KERR: Charlie Allen, I think the National  
13 Intelligence Officer for Terrorism.

14 CHAIRMAN BOREN: Terrorism.

15 MR. KERR: He subsequently became and is today the  
16 Warning Officer. So I have to separate those two functions  
17 out.

18 CHAIRMAN BOREN: Right.

19 CHAIRMAN BOREN: As you know, Mr. Gates has testified  
20 several times that he does not recall having this conversation  
21 with you. Apart from your statement that the conversation  
22 occurred during an informal meeting where a number of items  
23 were discussed, do you recall any particular circumstances  
24 surrounding the meeting or conversation that might suggest why  
25 Mr. Gates did not recall this conversation with you?



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1 MR.-KERR: Well, I think it is important again to put  
2 this conversation in a larger context. As the DDI, I saw Bob  
3 Gates on a regular basis, not only in formal meetings and  
4 informal meetings, but I also regularly went up to his office  
5 without appointment and talked to him about a variety of  
6 things. So it would not be at all surprising to have a --  
7 conversations with Bob about a wide variety of things, whether  
8 they were specific issues or problems or things that I wanted  
9 to bring to his attention, that would be very common.

10 So like anybody, people come into my office often and  
11 tell me things in a flow of events throughout a day, and when  
12 you talk to 15 or 20 or 30 people a day on 15 or 20 different  
13 subjects, it is not -- would not be uncommon at all to not  
14 remember the specifics or even to remember a visit. I am sure  
15 there are people who have visited me that I can't recall  
16 having seen in a week. So I don't find that particularly  
17 striking.

18 And also, to be direct about it, my impression is this is  
19 busy people -- this was speculation, this isn't something  
20 someone would immediately jump to their feet and react to in  
21 terms of having to take an action. This is something that I  
22 think that I saw at the time, and I will put it in my own  
23 context, not Bob's -- I saw as rumors, as something outside my  
24 immediate responsibility and my purview in terms of things  
25 that I did. So I would not find that striking.

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1       SENATOR MURKOWSKI: Let me just interrupt for a moment.  
2 Are you implying that during this time there were many rumors  
3 floating around, Ollie North activities or other rumors or --

4       MR. KERR: Not so much -- I wouldn't put it in the  
5 context of rumors about Ollie North, but anybody who had been  
6 involved --

7       SENATOR MURKOWSKI: No, rumors about potential Contra  
8 activities associated with Iran and --

9       MR. KERR: No. No, less in that context of now we think  
10 of as Iran-Contra than rumors about things that were --  
11 speculation about things that were happening, events that were  
12 taking place. In the intelligence business we are involved  
13 with getting a host of information of unconfirmed activities,  
14 of things that are relevant to our business and not, that we

15 --  
16       SENATOR MURKOWSKI: You just don't call them rumors.

17       MR. KERR: We don't call them rumors. Some we call  
18 intelligence, some we call idle speculation. Rumors may be  
19 the wrong term to use and probably is the wrong term.  
20 Speculation is a better word.

21       SENATOR CRANSTON: I would think that they have constant  
22 rumors and speculation, that just don't lead anywhere and  
23 aren't of any great significance. They may be totally off the  
24 wall.

25       CHAIRMAN BOREN: Well, Mr. Allen's to our -- in Mr.

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1 Allen's response to our recent interrogatories he describes  
2 his meeting with you, and I would like to read you his  
3 description and ask you if it conforms to your recollection.  
4 I think staff has given you a copy of it here.

5 Mr. Allen says, and I quote now Mr. Allen's answers to  
6 us: "I stressed to Mr. Kerr the project's lack of operational  
7 security and pointed out that no arrangements were being made  
8 to shut down effectively the first channel," we're talking now  
9 about the arms sales to Iran -- "that Ghorbanifar linked to  
10 the Iranian Prime Minister's office. I described in some  
11 detail the pricing impasse that intelligence showed had  
12 existed for over a month. The intelligence showed that the  
13 Iranians in Tehran believed that they were being grossly  
14 overcharged by agents of the U.S. government. I further  
15 described why I believed the NSC was mixing the Iranian  
16 project with White House initiatives in Central America. I  
17 cited a number of indicators of this, including the fact that  
18 Mr.. Albert Hakim and Major General Secord were totally  
19 managing the newly established second channel and that they  
20 were also key individuals in the so-called private efforts to  
21 aid the Contras in Central America. After I had detailed my  
22 concerns, Mr. Kerr asked me to keep him closely informed on  
23 these developments. I ran into Mr. Kerr later in the day in  
24 the CIA's Operations Center and he again returned to our  
25 earlier conversation. He expressed the view that it was not a

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1 question of whether the initiative would be leaked, but when."

2 Is that a reasonable --

3 MR. KERR: I -- that's a very accurate rendition.

4 CHAIRMAN BOREN: Rendition of his conversation with you.

5 MR. KERR: Yes.

6 CHAIRMAN BOREN: Mr. Allen also states that he is  
7 reasonably certain that either in October or November 1986, I  
8 informed Mr. Kerr -- this would be later, October or November  
9 86 -- "I informed Mr. Kerr about my meetings with Mr.  
10 Furmark." Did Mr. Allen do so and if so, what did he tell  
11 you?

12 MR. KERR: At that point in time -- first of all, let me  
13 -- if I can, put a little bit of this into context in terms of  
14 Charlie Allen. Charlie Allen had an intimate kind of  
15 obviously detailed involvement in terms of this set of  
16 communications and activities and I did not. When he came to  
17 me with this information, he came with a set of some of the  
18 information and proceeded to talk about a group of people as  
19 you have described -- as he has described, Hakim and Second,  
20 who, one, I wasn't familiar with and didn't have any idea  
21 generally of the kinds of interactions that had gone. I don't  
22 know whether you have seen those cables in that activity, but  
23 if you look through that it is a little like reading a foreign  
24 language, unless you understand the key to it.

25 CHAIRMAN BOREN: Right.

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1 MR. KERR: So some of this didn't make a lot of sense to  
2 me, I'll have to admit, and particularly quite simply the way  
3 Charlie renders it makes a little less sense because it is  
4 kind of in a machinegun fashion with a lot of facts and not a  
5 lot of context.

6 So in that sense, and that is the kind of the setting for  
7 the answer to your specific question if I can, is that he did  
8 tell me about the further problems and the concern again, I  
9 think, in this context about someone about ready to blow the  
10 whistle on the overcharging or on the price. And that is  
11 about the sense that I remember of it. But it was the same --  
12 fundamentally the same story.

13 CHAIRMAN BOREN: Right. Do you recall discussing this  
14 Furmark meeting with Mr. Gates?

15 MR. KERR: No, I did not.

16 CHAIRMAN BOREN: You did not.

17 Other members of the Committee have follow up questions  
18 they would like to ask?

19 SENATOR RUDMAN: Yeah. I think maybe we'd like to vote,  
20 though. Second bell.

21 CHAIRMAN BOREN: Why don't we go vote. and I am sorry to  
22 detain you. We will come immediately back and then we will  
23 complete. We will stand briefly in recess. The witness will  
24 still be under oath when we resume and we will complete the  
25 questioning.

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1 (A vote recess was taken from 6:07 p.m. to 6:28 p.m.)

2 CHAIRMAN BOREN: We have a Committee Resolution  
3 expressing our deep regret and sorrow on the death of Douglas  
4 George, who has rendered valuable to the professional staff of  
5 the Committee on Armed Services. He has worked closely with  
6 the Select Committee on Intelligence in a number of matters.  
7 And the Resolution is before us, and if there is no objection,  
8 with a quorum being present in this meeting, I would move that  
9 we pass the Resolution.

10 SENATOR RUDMAN: If a second is necessary, I second.

11 CHAIRMAN BOREN: All right, without objection, the  
12 Resolution is adopted.

13 We will now go back into session. I would remind Mr.  
14 Kerr that he is still under oath in terms of answers to these  
15 questions. I just have one additional question at this point.  
16 When you -- as I read you earlier the statement by Mr. Allen,  
17 his answers to our interrogatories in which he described his  
18 meeting with you, and in which he went into -- according to  
19 Mr.. Allen's answer, quite a lot of detail. As I mentioned,  
20 he talked about no arrangements were made for shutting down  
21 effectively the first channel. He said I described in some  
22 detail the pricing impasse. Intelligence showed the Iranians  
23 in Tehran believed they were being grossly overcharged.  
24 Described why he believed the NSC was mixing the Iranian  
25 project with a White House initiative. Talked about the fact

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1 that some of the same people were involved in both operations,  
2 the Contra operations and the arms sale and so on.

3 The question that I have is -- and you have indicated  
4 that that is basically an accurate summary of what Mr. Allen  
5 said to you according to your recollection, is that right?

6 MR. KERR: That's right.

7 CHAIRMAN BOREN: The question I have then is when you  
8 then went to Mr. Gates and had the conversation with Mr. Gates  
9 and recounted what you had been told by Mr. Allen, did you  
10 describe the -- Mr. Allen's conversation with you in similar  
11 detail?

12 MR. KERR: No. No, I did not. First of all, the only --  
13 the only thing about that conversation that it seemed to me  
14 was worth, from my perspective at least, making sure that Mr.  
15 Gates knew, was the issue of that funds were being overcharged  
16 and that money was being passed to the Contras. The rest of  
17 it from my perspective --

18 CHAIRMAN BOREN: Yes.

19 MR. KERR: -- I didn't see as, one, an intelligence issue  
20 as something that was fundamental to --

21 CHAIRMAN BOREN: Well, let me ask you specifically, in  
22 terms -- he went into some -- some fair amount of detail on  
23 that point alone as to why he thought that this money might be  
24 going -- the overcharge might be going to the Contras. He  
25 cited, for example, the fact that some of the same people were

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1 being used, Mr. Hakim, Mr. Second were also key individuals in  
2 the so-called private efforts to the contras. That's one item  
3 he cited. He described why he believed the NSC was mixing the  
4 Iranian project with the White House initiatives in Central  
5 America.

6 Did you mention those factors as far as you can recall,  
7 to Mr. Gates?

8 MR. KERR: No. I think I mentioned just the major issue.  
9 I am not sure that, one, all of these details would have -- to  
10 me, would have -- I would have matched the people up and fully  
11 understood the relationships across these people. And as I  
12 indicated earlier, I really did not know the people and did  
13 not have a fairly deep insight into that exchange as Charlie  
14 did. So a lot of that quite simply might well have passed  
15 right over my head except the key point, which seemed to me to  
16 be the most key point to pass on.

17 So the details of it -- and again, while I wouldn't  
18 second guess Charlie on this, Charlie's ability to present  
19 facts in a flurry of activity and my ability to understand  
20 them, I wouldn't connect those too closely. I mean, he is  
21 someone who understood it well and passed it, all of this on  
22 in a big dump, and I picked out the key elements.

23 CHAIRMAN BOREN: Did you go to any of Mr. Allen's  
24 associates or others that might have been working with him on  
25 this program to ask questions of them or to inquire of them as



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1 to --  
2 MR. KERR: Again, I didn't feel myself and I was not in  
3 the line for Charlie Allen, so I really didn't -- and I am not  
4 sure in this case that Charlie Allen had -- I didn't know who  
5 his associates on this were, who he was connected with. So  
6 that's one of the reasons I went to Bob Gates, as the logical  
7 person to at least make aware of this.

8 CHAIRMAN BOREN: But Mr. Gates though did say to you, if  
9 you recall the conversation, get back to me about this. But  
10 you did not ever get back to him.

11 MR. KERR: I didn't find that I had any information  
12 beyond what I had originally passed that I thought was  
13 significant to get back to him with.

14 SENATOR MURKOWSKI: If I may follow up on that, Mr.  
15 Chairman. And you didn't seek out any? Had no reason to seek  
16 out any?

17 MR. KERR: No, I didn't. I didn't seek it out and I  
18 didn't believe I had a reason to.

19 SENATOR MURKOWSKI: Thank you.

20 CHAIRMAN BOREN: Others that have questions? I know  
21 Senator Rudman.

22 Senator Rudman?

23 SENATOR RUDMAN: Mr. Kerr, let me just ask a couple of  
24 questions here. First, you know, words tend to be rather  
25 sterile when laid out on a page, and they tend to jump at you

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1 sometimes, which is what's happened with these words, which is  
2 why you are here today. But as I have listened to your  
3 testimony, I had a sense that the atmosphere of the meeting  
4 was maybe not quite as sterile, if that's the right word, or  
5 precise as these words would indicate. Now the words on the  
6 -- on the memo done internally by the Agency on 10 September  
7 87, which is the subject of our discussion today, the key  
8 words are that Gates responded that he was aware that rumors  
9 were circulating, that profits were being made on the sale of  
10 arms to Iran, and that money from the arms sales was being  
11 made available to the Contras. Now those are the words of the  
12 memo.

13 Now, you have answered the Chairman as best you could,  
14 and I just want to kind of see if you might be able to  
15 recollect, if you can, either from present recollection or  
16 from recollection refreshed by documents -- give us a feel for  
17 that meeting. I mean, you have told us just briefly, but I  
18 can sense from what you've said that this was not a part of  
19 the meeting that maybe was the reason for the meeting. It  
20 wasn't like Ray Cline running down the hall and saying, my  
21 God, they're putting missiles into Cuba. I mean, it wasn't  
22 that kind of a thing. I mean, what kind of a thing was it? I  
23 mean, in what context was it? You saw Gates many times during  
24 the week. Just give us a feel for the ambience of the  
25 meeting, if you will. That's very important in light of your

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present recollection, which is understandably not terribly precise on something that happened four years ago.

MR. KERR: Well, first of all, Senator, I think one way to respond to you is first of all, I worked for Bob for a number of years, worked with him for a number of years, and so we were -- we were fairly close in terms of our communication. We talked often, we talked casually, and in a variety of different forums. And so my -- while I can't recreate precisely the precise words that I used, I can, with a fair amount of confidence say that one -- my original idea of going down was to say, this -- he should be aware of this. Even though, I'll tell you the truth, at this point in time this did not really -- I would not have set my hair on fire and run down the hall with this information. It was not particularly -- it was interesting and in my view interesting primarily because of Ollie North and a view that most people had of Ollie North that this was kind of a loose -- this was a loose cannon.

So, when I -- when I went down, my reaction would have been to go into Bob and say -- and I will try to paraphrase -- do this without -- without the precision of the words, to say, Bob, you should be aware that having listened to Charlie Allen -- and you know Charlie Allen is usually kind of up about at a .9 on the frantic scale -- he is speculating and told me that there is a possibility that one, that we are -- one, we are

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1 overcharging, and that some of that money may be going into  
2 the Contras. That's the -- you know, and you know, that  
3 sounds great. Think of -- put that in context, you know.  
4 That is it seems to me the form I would have presented it, in  
5 a very casual way, and say, want to make sure you knew about  
6 it. It's not a formal process that I am involved in reporting  
7 on. It's not intelligence, from my perspective in the sense  
8 of my business. It's something that I think as the DDCI you  
9 should be aware of. That's the context of it.

10 Bob's reaction, I don't know precisely, but knowing Bob  
11 and again, knowing our relationship, my guess, he said, oh my,  
12 you know, my God. This is the --

13 SENATOR RUDMAN: That's the interesting part of this all,  
14 because you know, this happened all through the Iran-Contra  
15 investigation. You know, it's curious to me that there is  
16 something contained in the record of this conversation by the  
17 observer who was there as a matter of course from the CIA, and  
18 the people who were doing the primary interrogation who were  
19 two very skilled staff members of this Iran-Contra Committee,  
20 one of them a fairly -- not fairly, a man held in high esteem  
21 and Mr. Woodcock, who was our lawyer. And this sentence that  
22 is in here is -- that is written in here by the -- by the CIA  
23 notetaker, does not appear in the other one.

24 MR. KERR: Well, one of the problems --

- 25 SENATOR RUDMAN: And the one is, being aware that rumors

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1 were circulating. And I have a follow up to that.

2 MR. KERR: I think one of the problems is, you know, in  
3 trying to reconstruct and put into sentences a reaction, kind  
4 of a coherent reaction to this, you know, you try to put down  
5 with some more precision than I was able to convey, and not  
6 able to convey a sense of a conversation that probably took --  
7 that I am sure was very short. That is the one thing I can be  
8 certain of: very short. And not -- and I wouldn't exaggerate  
9 to say it was also pretty casual.

10 SENATOR RUDMAN: Well, I think that's another point I  
11 wanted to make. I mean, I take it this was not particularly  
12 an intense conversation.

13 MR. KERR: No. And this is not a conversation quite  
14 simply from my perspective as the DDI, that I would have come  
15 down and say, I've got some intelligence to tell you about a  
16 very important event that is just about to happen or is  
17 happening, and you should be aware of. Not at all in that  
18 context.

19 SENATOR RUDMAN: Do you presently recollect that Mr.  
20 Gates responded that he was, quote, "made aware that rumors  
21 were circulating," etc.?

22 MR. KERR: I can't say that precisely, that that would be  
23 the response.

24 SENATOR RUDMAN: All right.

25 MR. KERR: I have the sense, Senator, that he indicated

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1 that -- and I don't know how to say this other than to say  
2 that doesn't surprise me, I mean, you know, given the source.  
3 But it was again a fairly casual response. It was not -- in  
4 my judgment at least I wouldn't reconstruct that as a very  
5 precise directive kind of response.

6 SENATOR RUDMAN: What I find interesting is that the  
7 interview with you that is the subject of a Iran-Contra  
8 Committee memorandum, was conducted on September 2nd of 1987.  
9 The memorandum prepared by the Committee was prepared on  
10 September 23rd, 1987, approximately 21 days later, three weeks  
11 later. The OCA report is dated 10 September 1987. And as you  
12 look at the Iran-Contra Committee report on the exact same  
13 thing, Mr.. Kerr, let me just read to you those two  
14 paragraphs, done by the people who were investigating this.

15 Kerr said that Allen was concerned about what was going  
16 on. He believed that Allen was basing his statements on  
17 [Deleted] intelligence. Kerr said that when Allen shared  
18 these concerns with him Kerr linked it to the earlier arms  
19 sale in May for which he had prepared an intelligence package.  
20 Kerr believes that he advised Allen to keep him informed,  
21 quote, "if you get anything specific," unquote. Allen was  
22 largely concerned with the operational security of the Iran  
23 initiative.

24 70, paragraph 70. After Allen shared his misgivings with  
25 Kerr, Kerr went to the office of Gates, the Deputy Director of

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Central Intelligence since April 86. Kerr told Gates about the overcharges and about the possible diversion to Iran. Kerr conveyed to him that the amount of money involved was substantial.

I take that to mean the amount of money of the sale of arms to Iran. Am I reading here correctly?

MR. KERR: I think, as I mentioned earlier, that refers really to the amount of money overcharging -- the amount of overcharge was substantial.

SENATOR RUDMAN: Kerr conveyed to him that the amount of money involved was substantial. Kerr recalled that Gates asked him to keep him informed.

Now, Mr. Chairman, the reason I put this in the record at this point is I am very familiar with that investigation. And you had Tim Woodcock and Thomas Polgar, Sr., doing this interview, as I recall, and this sentence which appears in the OCA report is not in there.

And I am going to ask you just once more, you know, because it's very confusing to me and unexplainable -- inexplicable. Are you reasonably sure that Gates gave you some indication at that time that he heard something -- no more than the character of rumors, but at least rumors. Is that your recollection?

MR. KERR: My recollection is that he suggested that he had heard some reference to this before, rumors, or that he

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1 hard heard that. But I can't do -- quite simply, I cannot  
2 provide any more substance around that.

3 SENATOR RUDMAN: Now how long did this whole conversation  
4 with Gates?

5 MR. KERR: It was very short. I mean, it was a matter of  
6 minutes.

7 CHAIRMAN BOREN: Five minutes or ten minutes?

8 MR. KERR: At most. At most -- the one thing I can  
9 remember rather clearly about it is, first of all, we were  
10 both -- I know he was busy at that point in time and I was as  
11 well, and it was a very quick -- and I had several other items  
12 that I wanted -- that I was talking to him about.

13 SENATOR MURKOWSKI: Other subjects were discussed?

14 MR. KERR: Yes. There were other subjects, and I cannot  
15 remember what they were.

16 SENATOR RUDMAN: I have just two more very brief  
17 questions. As you know, Mr. Gates has testified previously  
18 and consistently that he does not recollect that conversation  
19 at all. But he recollects clearly the conversation with  
20 Allen, which is dated October 1st of that year. In your  
21 testimony under direct questioning by the Chairman, you said  
22 you placed this in the late summer time frame. Late summer  
23 could go all the way to the 21st of September, the way I count  
24 the calendar.

25 MR. KERR: In August, I believe.



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1 SENATOR RUDMAN: But you believe it was August?

2 MR. KERR: I believe so.

3 SENATOR RUDMAN: Why do you believe that? I want to know  
4 the basis of that.

5 MR. KERR: Well -- and I have -- what I tried to do at  
6 the time when we first -- when I was first asked this question  
7 is trying to limit that area, just trying to fix times in.  
8 Also trying to look at my schedule with Charlie Allen to  
9 figure out when that might have been. And that is the best  
10 time frame I can come to is the late August time frame.

11 SENATOR RUDMAN: And my final question, you were at that  
12 time the Director -- or Deputy Director of Intelligence.

13 MR. KERR: That's right.

14 SENATOR RUDMAN: Clair George was the Deputy Director of  
15 Operations.

16 MR. KERR: That's correct.

17 SENATOR RUDMAN: The gentleman who -- John Helgersen was  
18 the Deputy Director for Intelligence, and he was with you at  
19 that time.

20 MR. KERR: He was the Associate Deputy, yeah.

21 SENATOR RUDMAN: Did you have a lot of business on a  
22 daily basis with Mr. George?

23 MR. KERR: Yes, a lot.

24 SENATOR RUDMAN: Did you ever pass this information on to  
25 Clair George?

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1 MR. KERR: No, I don't believe so. Although I had at  
2 times talked to Clair about Charlie Allen, in part, again  
3 because Charlie Allen was somewhat of a loose cannon at times,  
4 and a couple -- and often -- and I would talk to Clair about  
5 are you aware, you know, or do you know what Charlie's doing  
6 in this -- in a particular activity -- in the terrorist  
7 activity primarily.

8 SENATOR RUDMAN: And finally, was the lack of interest in  
9 pursuing all of this aggressively connected either directly or  
10 inferentially with the fact that it was well known at the  
11 Agency that this was an internal White House operation?

12 MR. KERR: I guess pursuing what? Pursuing the --

13 SENATOR RUDMAN: Pursuing the information about  
14 diversion, about sales. Obviously the Agency was well aware  
15 of the sales because you were involved in that.

16 MR. KERR: Certainly.

17 SENATOR RUDMAN: But I mean, was it generally the  
18 Agency's feeling that this was a White House operation being  
19 run by the NSC and you -- particularly you, you said you  
20 really weren't much interested in following up on that. Was  
21 that one of the reasons?

22 MR. KERR: Well, in fact, you're right, in the sense that  
23 I -- that we had -- we knew about the arms sales although we  
24 did -- I did not know about them very far in advance of this  
25 time. In fact, also was not terribly enthused about the

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activity--and felt it was not an intelligence activity that we were involved in or we had any responsibility for, whether it was a good or a bad idea.

SENATOR RUDMAN: But it was run at the White House?

MR. KERR: Well, that was clear that it wasn't --

SENATOR RUDMAN: And you all knew that clearly?

MR. KERR: No question.

SENATOR RUDMAN: Yeah.

SENATOR MURKOWSKI: Mr. Chairman, I have one quick question.

I wonder, Mr. Kerr, if you had an opportunity to review the CIA memorandum dated September 10th on or around the time frame that it was typed? Had you seen it?

MR. KERR: I have seen it, subsequently. I do not know whether I looked at it immediately after the interview or not. I can't recall.

SENATOR MURKOWSKI: And one off the wall question. Do you have any idea of Clair George's attitude towards Bob Gates with regard to what information he may have had or not had?

MR. KERR: No, I really don't. In terms -- on this specific issue of -- no, I --

SENATOR MURKOWSKI: The allegation basically on what Bob knew and when he knew it.

MR. KERR: No, I have no -- no specific information on that.

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1       SENATOR MURKOWSKI: Thank you, Mr. Chairman.

2       CHAIRMAN BOREN: Anyone have any other additional  
3 questions?

4       Let me ask one last question. Have you had occasion to  
5 speak with the CIA notetaker about this particular  
6 conversation since -- since he made the record of it?

7       MR. KERR: I have read it. I have not really talked to  
8 him about it, in part, because quite simply I didn't see it as  
9 a strikingly different version. While it may be -- my problem  
10 with all of this, quite simply, as I look through all of these  
11 versions, I begin to wonder which is the real version and --

12       SENATOR RUDMAN: so do we.

13       MR. KERR: -- and I am beginning to add to my knowledge  
14 as I describe it and listen to you describe what I might be  
15 thinking and what others might have me be thinking. So I am  
16 not sure at this stage that it is not a cumulative memory that  
17 I have as opposed to a specific memory.

18       CHAIRMAN BOREN: I apologize, let me ask one last  
19 question and then we are going to have to go over to vote. We  
20 have two back to back votes and then we will conclude because  
21 we don't want to keep you here later. And we do appreciate  
22 very much your taking time, juggling your schedule to come out  
23 on short notice.

24       How would you characterize the general attitude of Mr.  
25 Gates on hearing what you had to say? Would you characterize

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1 it as serious and concerned? Would you characterize it as,  
2 oh, well, considering the source -- Mr. Allen -- who knows  
3 whether there is anything to this or not. Would you  
4 characterize it as preoccupied and not listening to it? How  
5 would you characterize it? Did he take -- did he seem to take  
6 this seriously or not?

7 MR. KERR: I think it was serious and concerned about it,  
8 but I think also as I did and as I probably conveyed in my  
9 conversation, some skepticism about Charlie's judgment on this  
10 particular issue or the fact that it was rumor, it was not  
11 substantiated. And those -- I would say those -- that  
12 combination of things would characterize not only my view, but  
13 I think characterized his response.

14 CHAIRMAN BOREN: Thank you very much. We will stand in  
15 recess.

16 (Thereupon, at 6:50 o'clock p.m., the Committee stood in  
17 recess.)



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**UNITED STATES**

**TRANSCRIPT OF PROCEEDINGS**

**BEFORE THE**

**SELECT COMMITTEE  
ON INTELLIGENCE**

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**DEPOSITION OF C/LA/2**

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**Tuesday, September 10, 1991**

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**WASHINGTON, D.C. 20510  
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9/10/91.

C O N T E N T SSTATEMENT OF:PAGE

C/LA/2

Directorate of Operations  
Central Intelligence Agency

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ALSO ATTENDING:William G. Hundley, Counsel  
David Pearline, CIA

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DEPOSITION OF C/LA/2

Tuesday, September 10, 1991

United States Senate,  
Select Committee on Intelligence,  
Washington, D. C.

The Select Committee met, pursuant to notice, at 10:44 o'clock a.m., in Room SH-219, Hart Senate Office Building, the Honorable David L. Boren, Chairman of the Committee, presiding.

Present: Senators Boren, Bradley, Murkowski, Warner, Gorton and Chafee.

\* \* \* \*



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1 CHAIRMAN BOREN: What were the circumstances of your  
2 selection as Chief of the Latin American Division?

3 C/LA/2: Well, it came as something of a surprise to me  
4 because [deleted]. And I received a telegram indicating that  
5 I was to go back and take over this new job. And the only  
6 real briefing I had on it was from Clair George, who said you  
7 have sort of a difficult job to do. [DELETED] there was a  
8 very, very close, as a result, working relationships between  
9 the Director and Alan Fiers who was director of the Task  
10 Force. So his instructions to me were to try to do something  
11 as best I could to keep a chain of command in effect, a real  
12 one, but at the other side of this, not to get in the way of  
13 that relationship between the Director and Alan, which worked  
14 well because the Director liked that.

15 And then the second half of my instructions were that the  
16 rest of Latin America Division was suffering because of the  
17 emphasis on Latin America and that I should try to spend as  
18 much time as possible --

19 CHAIRMAN BOREN: You mean -- I'm sorry, you mean on  
20 Central America?

21 C/LA/2: I mean on Central America; excuse me. And that  
22 I should spend as much time as possible to build up the other  
23 elements of our operational program in [Latin America].  
24

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1 CHAIRMAN BOREN: You have pretty well already answered  
2 this question, but the Committee has been told that you were  
3 appointed by Clair George, recommended for this position by  
4 Clair George, because he wanted someone who would ride closer  
5 herd on Alan Fiers, keep a more watchful eye on him, attempt  
6 to keep him somewhat under control. Is that true?

7 C/LA/2: Yes. I think "ride herd" is a little strong,  
8 but to -- at least to have some sort of oversight in there.

9 SENATOR MURKOWSKI: May I interrupt at that point just  
10 for a clarification.

11 CHAIRMAN BOREN: Yes, sir.

12 SENATOR MURKOWSKI: But Fiers reported to George in the  
13 context of the structure?

14 C/LA/2: I think that the way the set-up worked, Senator,  
15 Fiers reported directly to Casey and to George on many  
16 different occasions, because there was such high policy  
17 interest in the area that they would go directly to Alan who  
18 was the expert on the operation.

19 SENATOR MURKOWSKI: I guess just to elaborate very  
20 briefly, but why would George be concerned then of having  
21 somebody kind of oversee the activities of Fiers, namely, a  
22 responsibility delegated to you?

23 C/LA/2: Well, I am not -- I can't answer that for  
24 George, but I think that I -- that what he wanted was to have  
25 something of a chain of command in effect that functioned

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1 rather than to have a Director that dealt directly with a  
2 subordinate three or four echelons down without any sort of  
3 oversight as to what was happening.

4 SENATOR MURKOWSKI: Yet that same oversight existed with  
5 Fiers to Casey in the sense of a direct --

6 C/LA/2: Yes.

7 SENATOR MURKOWSKI: Okay. Thank you, Mr. Chairman.

8 CHAIRMAN BOREN: What was your relationship with Fiers?  
9 did you have him report to you or did you let him more or less  
10 run things at the Central American Task Force on his own?

11 C/LA/2: Well, when I stepped into it it was a very  
12 complex operation at that time, and Alan was I felt a very  
13 competent officer, and I'd more or less be told to let him run  
14 with the show unless I saw something that was going wrong or  
15 something that needed correction or needed clarification. So  
16 essentially Alan would run it and I would follow along. He  
17 would brief me from time to time on new initiatives or new  
18 endeavors.

19 CHAIRMAN BOREN: Did he continue to deal directly with  
20 Casey?

21 C/LA/2: Yes, sir.

22 CHAIRMAN BOREN: Do you believe that he was keeping you  
23 fully advised of everything?

24 C/LA/2: At the time I felt I was comfortably advised of  
25 what was going on, yes, sir.

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1 CHAIRMAN BOREN: The government statement of the facts in  
2 the Fiers plea agreement states that during the early Spring  
3 of 1986, Lieutenant Colonel North told Fiers that Israel was  
4 selling weapons to Iran and I quote now, "kicking dollars into  
5 the Contras' pot," unquote. Shortly after receiving this  
6 information from Lieutenant Colonel North, Fiers told your  
7 predecessor as Chief of the CIA's Latin American Division, of  
8 North's revelation. This is according to the government's  
9 statement of facts.

10 Did anyone tell you that Israel was contributing to the  
11 Contras, and if so, did you discuss it with anyone else?

12 C/LA/2: I don't recall ever having been told that,  
13 Senator.

14 CHAIRMAN BOREN: So therefore you don't recall having  
15 ever having discussed it with anyone else.

16 C/LA/2: No, sir.

17 CHAIRMAN BOREN: Did anyone tell you that Israel was  
18 selling weapons to Iran?

19 C/LA/2: No, sir.

20 CHAIRMAN BOREN: When did you learn of the U.S.-Iran arms  
21 initiative?

22 C/LA/2: I learned it on the day of the press conference  
23 that Attorney General Meese gave on the 25th of November.

24 \* \* \* \*

25 CHAIRMAN BOREN: Mr. Gates was sworn in as DDCI on April

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1 18, 1986. Gates' calendar and appointment books show five  
2 meetings with Fiers or with you or your predecessor as LA  
3 Division chief from mid-April until August 1986. Beginning on  
4 19 August, Latin American Division officials had a series of  
5 meetings with Bob Gates. His calendar reflects that the  
6 meetings were scheduled almost weekly and well in advance,  
7 normally for Tuesdays at 10:30 in the morning. The calendar  
8 shows Fiers had eleven to twelve meetings with Gates from late  
9 Summer until the end of 1986, of which four or five may have  
10 been with Gates alone.

11 What was Gates relationship to Nicaraguan matters to your  
12 knowledge and the Contra program after he became Deputy DCI?

13 C/LA/2: I am not -- when I read that question and I  
14 tried to remember whether I had sat in on any of those  
15 meetings with Gates at the time, and I don't recall having  
16 been at any of those meetings except one, and I can't remember  
17 exactly when it was, but my secretary said you are scheduled  
18 to -- Alan can't have his weekly meeting with the DDCI; will  
19 you go up and take it. And that was the first time that I had  
20 been aware that Alan Fiers had a weekly meeting with Gates.  
21 And so I went up to take it for him. And what it turned out  
22 to be, that he just asked me for a run down of the specific  
23 highlights of that week as far as what was going on in Central  
24 America and our project activities.

25 And I think, from what I learned at that time, that his

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1 interest was in being kept up to date on the major elements of  
2 our programs, because I think that Alan frequently met with  
3 the Director to fill him in on these programs and that the  
4 Deputy Director may not have been in all of those meetings  
5 himself, and that he wanted to be on top of what was going on.  
6 But as I say, I only can recall myself having attended one of  
7 those meetings.

8 CHAIRMAN BOREN: Was Mr. Gates aware, for example, as far  
9 as you know, by the time he became DDCI, that there was a  
10 private benefactor air supply operation?

11 C/LA/2: I have -- I really can't say, Senator. I have  
12 no idea.

13 CHAIRMAN BOREN: Fiers' plea bargain agreement provides  
14 that he became, or indicates that he became aware of certain  
15 specific details concerning the roles of Richard Gadd and  
16 Southern Air Transport in the delivery of lethal supplies to  
17 the Contras by April 1986. In addition, the Committee has  
18 several CIA documents which show knowledge at lower levels in  
19 CIA of Gadd and Southern Air Transport's connections with the  
20 Contra supply operation.

21 Did you know about the roles of Gadd or Southern Air  
22 Transport?

23 C/LA/2: I remember one time Alan Fiers -- this is  
24 subsequent to April 1986; [deleted] -- mentioning the name  
25 Gadd, and I don't recall having it put together with Southern

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1 Air Transport, and I don't recall southern Air Transport until  
2 there was some press things on Southern Air Transport. But  
3 it's -- I didn't put the two of them together, and I have no  
4 specific knowledge of it.

5 CHAIRMAN BOREN: Did you discuss Gadd or Southern Air  
6 Transport during this time with Mr. Gates?

7 C/LA/2: No, I did not, sir.

8 CHAIRMAN BOREN: Well, shortly after Mr. Gates became  
9 DDCI and you took over as the LA Division Chief, you took a  
10 trip to Central American where you learned, among other  
11 things, of Joe Fernandez' contacts with the private  
12 benefactors who were running the air resupply operations out  
13 of Ilopango. Since UNO SOUTH had no communicator at Ilopango,  
14 Fernandez was passing information on the air drops directly to  
15 the private benefactors there. Initially, while you were  
16 concerned that Fernandez end these contacts -- you were  
17 concerned about them -- you approved a plan to assist in  
18 setting up a UNO SOUTH communicator. Several weeks later you  
19 reconsidered and told Fernandez to have them work it out  
20 themselves.

21 And I am just stating here, and I'll stop in just a  
22 minute, and ask you to correct any misstatements that I've  
23 made. There were two cables, one in May and another in July,  
24 setting out the instructions for Fernandez.

25 First of all, have I stated accurately the facts to this

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1 point?

2 C/LA/2: I think that's not quite exactly the way the  
3 facts were stated, Senator. The -- I was aware, the first  
4 time actually, in a trip I took to Costa Rica before I assumed  
5 the duties as Chief, LA Division, of Joe Fernandez' contacts  
6 with these private -- so-called private benefactors. And when  
7 I came back and assumed the job of Chief LA Division, I was  
8 briefed by Alan Fiers and others than in accordance with the  
9 Intelligence Authorization Act of the year before, the CIA was  
10 empowered to provide communications support and share  
11 intelligence with the Contra forces, and that in Honduras, we  
12 had an arrangement whereby if the Contra forces were going to  
13 receive some sort of support from these private benefactors,  
14 they would come to us and ask for intelligence which would  
15 enable these flights to take place without loss of human life  
16 and to enable them to receive this support, and that this had  
17 been briefed to the Committees, that this intelligence  
18 included such things as order of battle on Sandinista forces,  
19 and vectors to allow aircraft to come in safely through  
20 hostile fire. That information would then be given to a  
21 communicator in Honduras who belonged to the Contra forces..  
22 We had provided communications support to those forces. They  
23 would then radio to another communicator in Ilopango, another  
24 Contra communicator, and that -- and that that worked very  
25 well and was briefed to the Committees.



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1 In Joe Fernandez' case, we found out that he had no such  
2 communications network, no Contra communications network  
3 existed for the southern front, and that as a result he was  
4 having difficulty in getting -- sending messages from the  
5 southern front to the northern front, to Ilopango through  
6 Contra channels, so that he was sending it directly to these  
7 so-called private benefactors. And it seemed to me that what  
8 he was doing was going from A to C without going through B;  
9 that our own policies called for us not to have direct  
10 contact. And so at a meeting in [Central America] in May of  
11 1986, we said what should be done is to make sure that what  
12 you have, Joe Fernandez, in Costa Rica, is a mirror image of  
13 what is going on in Honduras, and this will then be in  
14 congruence with our own regulations and our own policy, so to  
15 speak.

16 And then we set about to do that. And at some point our  
17 lawyers, I believe, came to the conclusion that it would be  
18 going beyond the level of what we should be doing in  
19 facilitating the travel of a communicator, a Contra  
20 communicator to Ilopango, that that might be seen as being too  
21 close to providing military support, even though we had  
22 authority to provide communications support. So a cable went  
23 out to Joe Fernandez, I believe in July of 1986, telling him  
24 that on second thought, the legal people had looked at it and  
25 thought we couldn't do this. This was a cable that had been

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1 prepared by [Deleted], and had been released by Alan Fiers.  
2 And I saw it after it had been sent, and I asked Alan about  
3 it. I said, oh, this means that we can't install or help the  
4 installation of this mirror image system that I described to  
5 you. And Alan said it's -- we can't, but it's all right,  
6 because I understand that the southern Contra forces on their  
7 own have been able to get their communicator into Ilopango on  
8 their own, so he's there. So I said well then, we don't have  
9 a problem, then we in fact have this mirror image arrangement,  
10 and he said yes. And that's sort of the way that whole  
11 situation works.

12 CHAIRMAN BOREN: So it's not accurate to have stated that  
13 you ever gave even preliminary approval to a direct contact?

14 C/LA/2: No, no. As a matter of fact, in the meeting in  
15 May of 1986, we made it very clear that our policy was not to  
16 have direct contact with the -- with the private benefactors.  
17 It wasn't a question of legality, it was a question of our  
18 own, as I understood it and had been briefed, our own policies  
19 to distance ourselves as much as possible from this operation.

20 CHAIRMAN BOREN: To your knowledge, did Bob Gates -- was  
21 Bob Gates ever made aware of Fernandez' direct contacts with  
22 the private benefactors in the Spring of 86?

23 C/LA/2: I have no knowledge that he was made aware, but  
24 at that time I think he probably learned about it at some  
25 later date.

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1 CHAIRMAN BOREN: Did he see the two cables as far as you  
2 know, that went out to Fernandez? Or would he normally see  
3 such cables?

4 C/LA/2: My guess is he wouldn't, but I can't say whether  
5 he did or didn't in this case.

6 CHAIRMAN BOREN: Vince -- is it Cannistraro?

7 C/LA/2: Yes.

8 CHAIRMAN BOREN: -- who was assigned to the NSC staff at  
9 the time recalls a meeting at the White House which you  
10 attended shortly after taking over as Latin American Division  
11 Chief. You had just returned from your initial trip to  
12 Central America. And he recalls you telling him that North  
13 was running operations out of Ilopango, probably illegally,  
14 and might go to jail. He said that you were very serious and  
15 concerned. Do you recall this conversation?

16 C/LA/2: No, I do not, Senator. I have since seen Vince  
17 Cannistraro and told him that I didn't recall such  
18 conversation. I don't recall being at the White House shortly  
19 after I returned either. And as I have said, if I ever said  
20 any such thing to Vince Cannistraro, it would have been --  
21 could only have been in jest. And I saw nothing that would  
22 have led me to believe at that time that Oliver North at that  
23 time was involved in anything which was illegal. As a matter  
24 of fact, the few times that I heard Oliver North talk in  
25 meetings at the State Department, he always -- at least on one

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1 time I remember him saying that everything he was doing was  
2 absolutely legal and he had legal advice to that effect.

3 \* \* \* \*

4 CHAIRMAN BOREN: In June 1986, the Administration began  
5 discussing proposals with the House for restarting the Contra  
6 program, and indeed, on June 25, a vote took place in the  
7 House to authorize \$100 million for a new program to begin in  
8 October. Planning began within the Administration to  
9 implement the new program. Did Mr. Gates chair any  
10 interagency group concerned with the restart of the Contra  
11 program?

12 C/LA/2: He may have but I don't recall in attending any  
13 such meeting.

14 CHAIRMAN BOREN: Do you know anything about his possible  
15 role in the restarting of the contra program?

16 C/LA/2: No, I do not. I know that planning had been  
17 going on in Alan's shop before I came back.

18 \* \* \* \*

19 CHAIRMAN BOREN: As far as you know, Bob Gates did not  
20 provide guidance particularly to the Central American Task  
21 Force, or do you know if he did?

22 C/LA/2: I don't believe that he did, Senator. I don't  
23 recall having seen such guidance.

24 CHAIRMAN BOREN: In a memo for the record dated 11 July  
25 1986, relating to a meeting with Admiral Poindexter, Mr. Gates

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1 wrote that he had raised the subject of Vince Cannistraro's  
2 remaining on the NSC staff. Gates noted -- is this quoting  
3 from notes of Gates'?

4 MR. SNIDER: Yes.

5 CHAIRMAN BOREN: And I quote his notes at this time,  
6 quote, this is Mr. Gates' notes, "I also repeated our concern  
7 that should Vince take over the Central American account, that  
8 he have nothing to do as a CIA employee with the private  
9 sector people Ollie has been dealing with in support of the  
10 Contra," end quote. Did you discuss this concern with Mr.  
11 Gates?

12 C/LA/2: I did not, sir.

13 CHAIRMAN BOREN: Did you ever discuss with him North's  
14 operational relationship with the private sector people?

15 C/LA/2: No, sir, I did not.

16 CHAIRMAN BOREN: Do you have any reason to believe that  
17 Mr. Gates knew that North was running, coordinating an  
18 infrastructure, or that North had a causative, operational  
19 relationship to it, and that if the CIA had a role like that  
20 it would cross the Boland Amendment line?

21 C/LA/2: I have no knowledge of that, Senator.

22 CHAIRMAN BOREN: You don't have any knowledge that would  
23 lead you to believe that Mr. Gates knew about that?

24 C/LA/2: No. My relationships with Mr. Gates were not  
25 such that we met frequently or discussed or ran across each

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1 other very much.

2 CHAIRMAN BOREN: Do you have any knowledge of whether or  
3 not Gates understood that North was doing more than  
4 facilitating donor contributions to the Contras?

5 C/LA/2: I have no such knowledge. I think in all  
6 fairness, that everybody knew that Ollie North was sort of a  
7 policy liaison to those groups, as well as just arranging  
8 donations. But --

9 CHAIRMAN BOREN: Did you or Alan Fiers also have these  
10 concerns about Cannistraro?

11 C/LA/2: [The witness did not express a view with respect  
12 to concerns he or Alan Fiers had about Cannistraro.]

13 \* \* \* \* \*

14 CHAIRMAN BOREN: A PROF note dated 26 July 1986, from  
15 Admiral Poindexter to Colonel North stated, quote, "I did not  
16 give Casey any such guidance. I did tell Gates that I thought  
17 that the private benefactor effort should be phased out.  
18 Please talk to Casey about this. I agree with you."

19 Poindexter testified at the Iran-Contra hearings that he  
20 talked to Bob Gates about looking into the possibilities of  
21 taking over the private logistics operation. And he recalled  
22 Bob Gates saying let me check into it. I presume that means  
23 when aid was resumed, assuming a restart of the official  
24 Contra program, that this was a discussion about taking over  
25 the private effort.

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1 What do you know about Bob Gates' role in the effort to  
2 get CIA to take over the private benefactor assets?

3 C/LA/2: Virtually nothing, Senator. The only thing I  
4 recall on that was a discussion at some point, either at State  
5 Department at one of the interagency meetings or Alan Fiers  
6 may have said something to me at the time that there was an  
7 effort by the private benefactors to sell their aircraft to  
8 the Agency or to have the Agency take them over when the  
9 authorized program began, and that it was very quickly  
10 dismissed.

11 CHAIRMAN BOREN: Did you ever discuss this directly with  
12 Mr. Gates?

13 C/LA/2: No, I did not, sir.

14 CHAIRMAN BOREN: And he never did ask you about it  
15 personally?

16 C/LA/2: No, sir, I can't recall that he did; no.

17 CHAIRMAN BOREN: There is a report that the CIA received  
18 a document 17 or 18 pages long that described the private  
19 benefactor assets. Are you aware of any such document? More  
20 or less described what the assets were?

21 C/LA/2: Yes, I know.

22 (Pause.)

23 C/LA/2: When I first read the question I didn't recall  
24 it. I do recall that there was such a list. I never saw it  
25 myself. I remember having heard about it. But I can't

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1 remember any of the other details. I think Alan was involved  
2 in it.

3 CHAIRMAN BOREN: Do you know if Bob Gates was aware of  
4 it?

5 C/LA/2: I am not aware of that, no, sir.

6 CHAIRMAN BOREN: As the private benefactors phased out,  
7 their operations, Thomas Clines and others offered the CIA a  
8 load of arms which had first been transported in this ship --  
9 is that the Erria?

10 MR. SNIDER: The Erria.

11 CHAIRMAN BOREN: -- but were later transferred to another  
12 ship for which the CIA paid \$2 million and which were  
13 delivered to a port in [the United States]. What did you know  
14 about this arms purchase?

15 C/LA/2: I remember just the name of the ship, Erria,  
16 and that it supposedly was -- if I am not mistaken, it was  
17 involved with the private benefactors, but I really can't  
18 remember very much else about that.

19 CHAIRMAN BOREN: Was any of this discussed, to your  
20 knowledge, with Mr. Gates?

21 C/LA/2: Not that I know of, sir.

22 CHAIRMAN BOREN: Do you know if he played any role in  
23 this purchase?

24 C/LA/2: No, sir, I do not.

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1 CHAIRMAN BOREN: Let me see here. Gates' calendar shows  
2 a meeting with Colonel North in the Executive Office Building  
3 on 29 July, 1986, at 12:00 noon, three days after the  
4 Poindexter PROF note cited above. Do you know anything about  
5 that meeting?

6 C/LA/2: No, sir, I do not.

7 CHAIRMAN BOREN: Do you know if it was related to North's  
8 effort to get the Agency to take over the private benefactor  
9 assets?

10 C/LA/2: I do not, sir.

11 CHAIRMAN BOREN: Are you aware of colonel North making  
12 any secure calls to Mr. Gates on this subject?

13 C/LA/2: No, sir.

14 CHAIRMAN BOREN: The government states that by late  
15 Summer of 1986, Lieutenant Colonel North told Alan Fiers the  
16 United States was selling arms to Iran and using the proceeds  
17 from the sales to aid the Contras. The diversion of funds, in  
18 other words. And that Alan Fiers reported this information to  
19 you and to Clair George. This is -- I am now quoting what the  
20 government asserts.

21 C/LA/2: Yes.

22 CHAIRMAN BOREN: Did Alan Fiers report North's  
23 information to you?

24 C/LA/2: I will tell you what I told the grand jury,  
25 which was the best that I can remember this. Sometime in that

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1 year -- and I can't remember what month it was, and I have a  
2 very vague recollection of this -- Alan came to me and said a  
3 very conjectural kind of thing. He said, what if I were to  
4 know something very, either sensitive or important or  
5 scandalous or something about this whole program we're  
6 involved in, who should I talk to about it or something like  
7 that. And I can't remember what it was. But it was very  
8 conjectural and what if and -- and I can't remember the  
9 wording that he used, but it was clear to me that the  
10 conversation had nothing to do with the Agency. And I don't  
11 remember what I told him back, but I think I would have told  
12 him something like, if it's something that's illegal, you  
13 better tell the lawyers, or if it's something that's  
14 politically a hot potato, I would take it to the seventh  
15 floor. And that -- something like that conversation happened,  
16 but there was -- he did not tell me in that conversation, in  
17 any way that I could possibly recognize, about a diversion.

18 CHAIRMAN BOREN: Could it have been done in an off hand  
19 manner so that it didn't fully register?

20 C/LA/2: It wasn't totally off hand, but it was such  
21 that there were no details as to what was involved. He didn't  
22 offer any and I didn't ask him.

23 CHAIRMAN BOREN: Do you -- according to Fiers, he said  
24 that you directed him to pass that on to Clair George  
25 immediately. Do you remember --

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1 C/LA/2: Well, I think I would have said the seventh  
 2 floor. Whether I said George, who would be the next one up,  
 3 or whether I said Casey, I just can't recall, sir.

4 CHAIRMAN BOREN: If Alan Fiers had indeed told Clair  
 5 George, and this is a hypothetical question, do you believe  
 6 that Clair George would have told Casey or Gates?

7 C/LA/2: I just have no idea, sir.

8 CHAIRMAN BOREN: Did Gates ever ask you what you knew  
 9 about North's activities or a possible diversion?

10 C/LA/2: No, sir, he did not.

11 CHAIRMAN BOREN: On October -- let me just ask you  
 12 directly.

13 Do you have any knowledge yourself as to whether or not  
 14 Mr. Gates was informed about the diversion?

15 C/LA/2: I have no such knowledge.

16 If I may, I would just like to say that it was Alan Fiers  
 17 who did eventually tell me about the diversion, but it was  
 18 about --

19 CHAIRMAN BOREN: Not at that time.

20 C/LA/2: -- two hours before the Meese press conference.

21 CHAIRMAN BOREN: I understand.

22 So as far as your knowledge is concerned, you have no  
 23 knowledge that Mr. Gates knew about the diversion.

24 C/LA/2: I have no such knowledge, Senator.

25 CHAIRMAN BOREN: Prior to its --

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1 C/LA/2: Prior to its coming out.

2 CHAIRMAN BOREN: -- disclosure; public disclosure.

3 On October 1st, as we now know, Mr. Gates learned from  
4 Charlie Allen of Mr. Allen's speculation that money had gone  
5 to the Contras from the Iran arms sale. Did Mr. Gates ever  
6 mention this speculation to you?

7 C/LA/2: No, sir, he did not.

8 CHAIRMAN BOREN: What was your perception of the  
9 relationship between Mr. Casey and Mr. Gates and between Mr.  
10 Gates and Clair George?

11 \* \* \* \*

12 C/LA/2: I think that the relationship between Bill Casey  
13 and Bob Gates was very close. I think that Bill Casey valued  
14 Bob Gates' judgment and understanding of the issues. And I  
15 think that was a very close relationship. I don't know how  
16 much he told him about what he was doing and what he was  
17 involved in, but it was obviously very close.

18 I think it is no secret that the relationships between  
19 Clair and Bob were not very good.

20 CHAIRMAN BOREN: Were not good.

21 C/LA/2: Were not good. They were not friends.

22 CHAIRMAN BOREN: They didn't share --

23 SENATOR MURKOWSKI: Can you elaborate briefly? I mean,  
24 they worked professionally. Did they work well professionally  
25 or was it so obvious that there were hard feelings that it was

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1 C/LA/2: No. I think that they worked professionally  
2 together and they didn't let their personal feelings get in  
3 the way. I think it went back to the time when Bob was the  
4 DDI and Clair was the DDO. I think there was some rivalry  
5 there developing as to who might eventually get the nod to  
6 move up to the Deputy Director job. And this is just strictly  
7 opinion and I have nothing to really back it up except some  
8 impressions I received. I think Clair thought he was the  
9 front runner for that job, and I think he was surprised when  
10 Bill Casey came down on the side of Bob Gates. I think a lot  
11 of the rest of us weren't so surprised as Clair. That's just  
12 my own feeling.

13 CHAIRMAN BOREN: Let me go back to the question about the  
14 relationship between Casey and Gates, which you say was a  
15 close relationship and he had obvious respect for his judgment  
16 on the issues. You have also said however that Mr. Casey was  
17 [deleted] sometimes by-passing the chain of command.

18 Do you then come to the conclusion that you simply do not  
19 know whether or not Mr. Casey discussed the matter of the  
20 diversion with Mr. Gates? Do you have any knowledge as to  
21 whether he did or not?

22 C/LA/2: I have no knowledge of that. I think Bill Casey  
23 was a master of compartmentation.

24 SENATOR MURKOWSKI: Was it generally known and understood  
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1 that this compartmentation policy was a policy unique to Casey  
2 and it was -- without divulging what the compartmentation  
3 covered, it was a policy structure the way Bill Casey did  
4 business?

5 C/LA/2: Well, I am not so sure it was a policy, Senator.  
6 It was just his way of doing business. He was an operator and  
7 he liked to things --

8 SENATOR MURKOWSKI: And people that were around him knew  
9 it?

10 C/LA/2: Yes, sir. I think that was well known.

11 SENATOR MURKOWSKI: They understood it and Gates would  
12 have understood it, George understood, you clearly understood  
13 it --

14 C/LA/2: Yes.

15 SENATOR MURKOWSKI: -- and Fiers.

16 C/LA/2: For example, there were other Task Forces. I  
17 know that the [deleted] Task Force and the [deleted] one, and  
18 Bill Casey worked directly with those people as well,  
19 by-passing chains of command.

20 \* \* \* \*

21 CHAIRMAN BOREN: Could you describe as far as you know  
22 the nature of the Fiers relationship with Mr. Casey, with Mr.  
23 Gates and with Mr. George? I am talking about in terms of  
24 their -- whether they got along well together? What was the  
25 nature of their working relationship?

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1 C/LA/2: I think they had good professional relationships  
2 at all levels. I think Bill Casey very much liked Alan Fiers  
3 and his style. I think he personally selected him for the  
4 job. I think that the relationship between Bob Gates and Alan  
5 Fiers was also very professional, very good, and I think also  
6 with Clair George.

7 CHAIRMAN BOREN: But no stresses that you knew of?

8 C/LA/2: There were no stresses that I knew of, no, sir.

9 CHAIRMAN BOREN: Why were regular meetings scheduled  
10 after mid-August 1986 with Deputy DCI Gates?

11 C/LA/2: Well, as I said, the one time I went I was a  
12 little caught off -- by surprise because I hadn't known that  
13 they existed. But I think that the Deputy Director wanted to  
14 be kept informed and in the loop of what was going on, and  
15 this was his way of doing it, by scheduling a once a week  
16 meeting to catch up with what was happening on one of our --

17 CHAIRMAN BOREN: What kind of things were discussed at  
18 the meeting with which you had experience?

19 C/LA/2: He just asked me very generally what was going  
20 on that week, and I told him -- gave him the highlights of our  
21 programs and activities for that particular week.

22 SENATOR CHAFEE: Could I just ask one quick question  
23 here, Mr. Chairman? It seems to me that chains of command  
24 were totally overlooked in the Agency at this time. Fiers  
25 worked for you.

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1 C/LA/2: Yes, sir.

2 SENATOR CHAFEE: And so you suddenly are asked to a  
3 meeting in place of a subordinate of your's who was meeting  
4 with a superior of your's and you didn't know the meetings  
5 were going on. And your -- weren't you a little upset to  
6 discover that these are going on? Are these just a kind of --  
7 there are no lines of communication over there. Is this the  
8 way things work over there?

9 C/LA/2: No, not really. The Central American Task Force  
10 and the Central American program was really unique in the  
11 Agency's -- I think in the history of the Agency. It was a  
12 program that was very, very close to the Director's heart. It  
13 was a seventh floor program. It was very complicated and  
14 complex. I think by far the most complex covert action  
15 initiative we had ever done. I came into it late in the  
16 picture. Alan was the acknowledged master of it. It was  
17 pretty much expected that on these things, Alan would brief  
18 the Congress, Alan would do most of these things himself. I  
19 would try to give it some sort of oversight and spend most of  
20 my time working with other aspects of Latin America which  
21 during those years were much more important and significant  
22 than they are today.

23 \* \* \* \*

24 CHAIRMAN BOREN: The government states that from February  
25 through August 1986, Alan Fiers became aware of certain



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1 details concerning the role of Felix Rodriguez in the delivery  
2 of lethal supplies to the Contras. And the government asserts  
3 that on August 12, 1986, Fiers attended a meeting in the  
4 office of Don Gregg in which Mr. Rodriguez' complaints about  
5 the lethal resupply operation were discussed. In addition,  
6 the Committee has an August 6, 1986, PRT-250 conversation  
7 between Fiers and [an Agency official in Central America]  
8 discussing Felix Rodriguez' being "out of control," quote,  
9 unquote. Fiers discusses an incident with an aircraft from  
10 Miami, Rodriguez' role in Contra support operations, his,  
11 quote, "writ" from the Vice President's office to assist the  
12 Salvadorans, and the need to have the Vice President's office  
13 get Rodriguez out of the Contra supply activity because of the  
14 risks to restart of an authorized -- sorry -- because of the  
15 risk to restart of an authorized CIA program. Fiers said in  
16 the conversation that he planned to contact the Vice  
17 President's office about it.

18 Did you learn any of this information about Rodriguez  
19 that was known to Alan Fiers?

20 C/LA/2: When I went to [Central America] in May of 1986,  
21 I remember that there had been some discussions of Felix  
22 Rodriguez, of his activities prior to that time, and at the  
23 time it was a little bit like Chinese to me, because there was  
24 so much I was trying to absorb. But at the meeting we pretty  
25 much decided that [the Agency official in Central America]

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1 wasn't going to have any contact with Felix Rodriguez because  
2 of his ties with the private benefactor elements. And [the  
3 Agency official] made it very clear that he wasn't going to  
4 deal with him.

5 As far as the meeting in Don Gregg's office, I first  
6 remember hearing about that from Alan, but only in the sense  
7 that it was a meeting that Alan had been invited to that he  
8 told me he -- he felt mousetrapped, that he'd been invited to  
9 this meeting, that he went to a meeting with people who were  
10 involved with the private supply effort and he didn't want to  
11 be at that meeting and that -- and he was upset that Don Gregg  
12 had asked him to that meeting. And that's really about the  
13 extent of my recollection of that meeting or what was  
14 discussed at it or a follow-up to it.

15 CHAIRMAN BOREN: Do you know if Mr. Gates knew of the  
16 August 12 meeting in Don Gregg's office?

17 C/LA/2: I do not know, sir.

18 CHAIRMAN BOREN: You never had any discussion with him  
19 about it?

20 C/LA/2: I did not.

21 CHAIRMAN BOREN: Did Fiers raise his concerns with you  
22 that Rodriguez -- about Rodriguez and the possibility of  
23 jeopardizing the restart program?

24 C/LA/2: I don't recall that he did, Senator. It is  
25 possible that he did, but I don't -- I don't recall that he

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1 did.

2 CHAIRMAN BOREN: So you would not know then if these  
3 concerns were ever raised with Mr. Gates?

4 C/LA/2: I would not.

5 CHAIRMAN BOREN: In late September 1986 there was a New  
6 York Times article alleging that an airstrip in Costa Rica --

7 C/LA/2: Uh-huh.

8 CHAIRMAN BOREN: -- was built for the Contras with U.S.  
9 support. Fiers had a PRT-250 conversation with Joe Fernandez  
10 about this news story. And Fernandez advised Fiers of the  
11 plans for getting out denials by [Deleted] the U.S. embassy.

12 Did Fiers discuss this matter with you or with Bob Gates?

13 C/LA/2: I don't recall -- I don't know anything about  
14 whether or not he raised it with Bob Gates. The question came  
15 up in one of the interagency meetings down at the State  
16 Department which is when I first heard about it. I knew about  
17 the existence of the strip before, and when it came up,  
18 Elliott Abrams discussed it -- he was the chairperson for  
19 these meetings -- and I remember at the time that Elliott had  
20 said that he felt [Deleted] But I do not remember Alan's role  
21 in talking with Joe Fernandez directly, although he may have  
22 done so as a follow up to support what Elliott wanted done.

23 CHAIRMAN BOREN: Did you have a telephone call --  
24 conversation with Fernandez himself during this time?

25 C/LA/2: No, sir, I did not.

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1       CHAIRMAN BOREN: Okay.

2       Do you know whether or not at the Fiers meeting with  
3 Gates on September 29, after Fiers and Fernandez had  
4 supposedly allegedly had this call, do you know if anything  
5 came up about this at the meeting with Mr. Gates?

6       C/LA/2: I do not know, sir; no.

7       CHAIRMAN BOREN: Do you know if Mr. Gates knew anything  
8 about this airstrip?

9       C/LA/2: No, sir, I do not.

10       CHAIRMAN BOREN: The government states that after the  
11 downing of the Hasenfus plane, but before October 10, Fiers  
12 had a secure telephone conversation with North regarding the  
13 downed plane. Fiers asked North whether the downed aircraft  
14 was North's. North, according to the government, told Fiers  
15 that the plane was a part of his operation and that the  
16 operation was being dismantled. Did Alan Fiers report North's  
17 information to you?

18       C/LA/2: I was out of the country during the whole period  
19 of the Hasenfus incident, from the 5th to the 12th of October.  
20 So the events that took place during that week I have no  
21 knowledge of.

22       CHAIRMAN BOREN: Do you have any reason to believe that  
23 anyone reported North's information to Mr. Gates?

24       C/LA/2: I have no knowledge to support that; no, sir.

25       CHAIRMAN BOREN: In your opinion, did Mr. Gates know of

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1 North's relationship to the private benefactor resupply  
2 operation?

3 (Pause.)

4 C/LA/2: Could you repeat that question, Senator?

5 CHAIRMAN BOREN: Do you -- do you know whether or not Mr.  
6 Gates knew of North's relationship to the private benefactor  
7 supply operation?

8 C/LA/2: I don't know that. I think that he must have  
9 known of some elements of Ollie North's involvement with these  
10 people, because I think it was widely known in the community  
11 at the time that Ollie -- I think the feeling at least in some  
12 circles was that Ollie had put this group together, had gone  
13 out and found some donors and found some people to work for  
14 them, and served as sort of a liaison contact with the White  
15 House. I think that must have been known --

16 CHAIRMAN BOREN: But the nature of -- you don't know what  
17 he knew about the nature of what he was actually doing?

18 C/LA/2: That's exactly -- that's right.

19 CHAIRMAN BOREN: In terms of detailed interrelationships.

20 C/LA/2: Rather there was a causative, as he said before,  
21 operational thing.

22 CHAIRMAN BOREN: You don't know whether he knew that or  
23 not.

24 C/LA/2: I don't know whether he knew -- no.

25 CHAIRMAN BOREN: Did you ever tell Mr. Gates anything

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1 about it?

2 C/LA/2: No, I did not.

3 CHAIRMAN BOREN: The government states that on October 9,  
4 1986, Fiers and Clair George met to discuss briefing the  
5 Senate Foreign Relations Committee and the House Permanent  
6 Select Committee on Intelligence on the circumstances  
7 surrounding the downed plane on October 9. Fiers told Mr.  
8 George they should describe certain details regarding the  
9 lethal resupply operation, including the identity of Mr.  
10 Rodriguez as Max Gomez. Mr. George informed Fiers, and I am  
11 quoting again the government, Mr. George informed Fiers that  
12 the details would not be discussed because the Agency did not  
13 know conclusively who Mr. Rodriguez was, and because it would  
14 put the spotlight on the Administration and thus reveal  
15 Lieutenant Colonel North's involvement in the operations.  
16 Fiers, according to the government, acquiesced to Mr. George's  
17 plan and had a draft of Mr. George's opening statement revised  
18 to delete the information identified by Mr. George as  
19 troublesome.

20 On October 14, 1986, Fiers and George testified before  
21 the House Intelligence Committee and failed to answer fully  
22 and completely certain questions relating to the downed plane.  
23 Again, I am quoting the government's assertions.

24 Were you aware of Mr. George's plan?

25 C/LA/2: No, sir.

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1 CHAIRMAN BOREN: Or was anyone else to your knowledge  
2 aware of it?

3 C/LA/2: I have only heard about these facts very  
4 recently, Senator.

5 CHAIRMAN BOREN: Did you have any discussion, if any,  
6 regarding the testimony to Congress related to the downed  
7 plane? Or Mr. George?

8 C/LA/2: I did not.

9 CHAIRMAN BOREN: Do you know if Mr. Gates had any  
10 discussions?

11 C/LA/2: I do not know, sir.

12 CHAIRMAN BOREN: Do you know if Mr. Gates had any  
13 knowledge of the alleged plan of Mr. George to withhold some  
14 of this information?

15 SENATOR MURKOWSKI: Well, again in the structure, why  
16 wouldn't George inform you of this, do you know?

17 C/LA/2: Well, I think at the time that when the plane  
18 went down there was a --

19 SENATOR MURKOWSKI: You were gone.

20 C/LA/2: I was gone and there was a rush to get this out  
21 and I was [abroad] that whole week.

22 \* \* \* \*

23 CHAIRMAN BOREN: Do you know whether there was any  
24 communication between Clair George, Mr. Casey or Mr. Gates on  
25 this decision about the testimony before the Committee?

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1 C/LA/2: I have no such knowledge.

2 CHAIRMAN BOREN: The Committee has been told that on  
3 October 14, at 1330, Fiers and George met with Casey after the  
4 HPSCI hearing and reported how it went. Fiers and George  
5 allegedly meeting with Casey. At this meeting Fiers said the  
6 issue would not go away until someone took credit for the  
7 flight. Casey asked who. Fiers suggested General Secord.  
8 George said Second had other problems. Fiers said that  
9 someone had to take credit. Do you know anything about this  
10 meeting?

11 C/LA/2: No, sir.

12 CHAIRMAN BOREN: Do you know whether Mr. Gates attended?

13 C/LA/2: No, I do not.

14 CHAIRMAN BOREN: On October 9, in the morning, Hasenfus  
15 had his press conference in Nicaragua where he said he was  
16 working for the CIA. At lunch the same day, Casey and Gates  
17 had lunch with North in the Director's dining room. Among  
18 other things, Gates sought assurance from North that the CIA  
19 was clean. North provided such an assurance.

20 Did you know that -- about the October 9 Casey, Gates,  
21 North lunch?

22 C/LA/2: I did not.

23 CHAIRMAN BOREN: Did Gates ever tell you that he had  
24 discussed -- or what he had discussed with North at this  
25 lunch?



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1 C/LA/2: No, sir.

2 CHAIRMAN BOREN: According to North's testimony at his  
3 trial, Casey told him at this luncheon to start cleaning  
4 things up in Central America, bringing the aircraft out and  
5 the crews out. Do you have any knowledge of this  
6 conversation?

7 C/LA/2: No, sir.

8 CHAIRMAN BOREN: At the Congressional hearings on the  
9 Hasenfus flight, Fiers and Clair George denied Agency contacts  
10 with the private benefactors. The Committee has been told  
11 that Fiers discussed Joe Fernandez with Clair George in  
12 preparing their testimony. Fiers told George the Agency was  
13 okay, except that Fiers did not know how exposed Joe was.

14 Do you know if this issue was ever discussed with Mr.  
15 Gates?

16 C/LA/2: I do not.

17 CHAIRMAN BOREN: To your knowledge was it discussed --

18 C/LA/2: To my knowledge, I have no knowledge it was  
19 discussed with Mr. Gates.

20 CHAIRMAN BOREN: On a trip to Central America in late  
21 October, Alan Fiers -- again, this is quoting the government's  
22 allegation -- Alan Fiers learned of Joe Fernandez' additional  
23 contacts with the private benefactors during September and  
24 October. After a number of efforts to pin this down, this  
25 information was eventually set forth in a memo from you to

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1 Clair George dated 25 November 1986. And the note indicates  
2 that Director Casey was to be briefed on 2 December. The  
3 Intelligence Committee was informed in late December. Did you  
4 discuss the Fernandez situation with Bob Gates during this  
5 period?

6 C/LA/2: No. I believe that all of my contacts were with  
7 Clair at -- at the Clair George level.

8 CHAIRMAN BOREN: You do remember setting forth a memo to  
9 Mr. George --

10 C/LA/2: Yes, sir.

11 CHAIRMAN BOREN: -- indicating your concerns?

12 C/LA/2: Yes, sir.

13 CHAIRMAN BOREN: But you did not, to the best of your  
14 memory, discuss this situation, the Fernandez situation with  
15 Mr. Gates?

16 C/LA/2: No, I think that Clair discussed it with Mr.  
17 Gates.

18 CHAIRMAN BOREN: Mr. Gates or Mr. Casey?

19 C/LA/2: And -- both.

20 CHAIRMAN BOREN: With both?

21 C/LA/2: I believe. I am not certain of that. I think  
22 that's the case.

23 CHAIRMAN BOREN: Do you know? You're not sure whether he  
24 discussed it?

25 C/LA/2: I am not sure whether it was done, no.

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1 CHAIRMAN BOREN: Your discussion was with Mr. George.

2 C/LA/2: With Mr. George.

3 CHAIRMAN BOREN: Do you know if Mr. Gates provided any  
4 guidance for handling the Fernandez situation, either as  
5 Deputy DCI or as Acting DCI after Mr. Casey's hospitalization?

6 C/LA/2: The only area that -- I am sure he must have  
7 provided some, I would guess; I don't know for a fact. I do  
8 think that he made some decisions regarding lawyers. But that  
9 is hearsay again. I heard that from Clair.

10 CHAIRMAN BOREN: Lawyers for whom?

11 C/LA/2: Well, at one point after the Tower Commission  
12 came through and met with Joe -- Joe Fernandez, it became  
13 clear that Joe possibly was going to need some sort of legal  
14 support. And I asked Clair what the ground rules would be for  
15 legal support for Joe, that I thought he should be aware that  
16 it might be a good idea for him to get a lawyer. And Clair  
17 later came to me and said that Bob Gates had decided that we  
18 would not have lawyers at this time. I never discussed that  
19 personally with Mr. Gates. That is just what I heard from  
20 Clair.

21 CHAIRMAN BOREN: But that is the nature, as far as you  
22 know, of --

23 C/LA/2: That's as far as I know of anything that I heard  
24 about Mr. Gates' involvement in how to handle this.

25 CHAIRMAN BOREN: Was he trying to tell them they couldn't

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1 -- didn't have the right to hire private counsel or --

2 C/LA/2: Yes. I believe those were the ground rules at  
3 the time as I understood it.

4 CHAIRMAN BOREN: That Agency employees could not hire  
5 private counsel?

6 C/LA/2: Yes, sir.

7 CHAIRMAN BOREN: Hmm.

8 Do you know what the reason was for that?

9 C/LA/2: No. I had a -- it was just the policy that he  
10 had decided and I think that no one went out and got attorneys  
11 until Judge Webster came in and took over.

12 CHAIRMAN BOREN: The Committee has been told that in late  
13 December or early January, after Joe Fernandez had his hand  
14 called -- that is, was confronted by the Tower Board  
15 investigator, Mr. Brian Bruh, with PROF notes on his comments  
16 -- or on his contacts with North that conflicted with Joe's  
17 story, that there was a meeting in Clair George's office late  
18 in the evening. Fiers told Clair George that Joe was in a  
19 bind, had to take the Fifth Amendment and get a lawyer.  
20 Gates walked in -- [Deleted] -- Clair George told Gates what  
21 had been said about Joe getting a lawyer. Gates then stated  
22 if anyone did this, they would be fired. This goes back to I  
23 gather what you were saying about the lawyer.

24 C/LA/2: Yes, sir.

25 CHAIRMAN BOREN: Did you learn of Gates' statement?

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1 C/LA/2: No, I never heard that statement. The only  
2 thing that I heard about this was a telephone call from Clair  
3 to me following up my inquiry to him saying that -- that Bob  
4 Gates had said there would be no lawyers.

5 CHAIRMAN BOREN: Do you think the idea behind this was  
6 that people would be more candid, in other words, if this were  
7 an internal matter that was being investigated? That they  
8 ought to just say whatever they had done or not done without  
9 getting involved with lawyers? Was that the theory behind it?

10 C/LA/2: Well, I don't know what the theory was behind  
11 it. I think the idea, or at least the image was that if you  
12 had a lawyer, you were guilty. That sort of mentality was --

13 \* \* \* \*

14 CHAIRMAN BOREN: Another problem area that surfaced after  
15 the Hasenfus hearings involved the CIA [facility in Central  
16 America]. In early 1987, while Gates was acting DCI, there  
17 was a press allegation that [such a facility] had provided  
18 unauthorized assistance to the Contras involving the use of  
19 Agency helicopters. The CIA Inspector General determined in  
20 May 1987 that this assistance violated applicable legal  
21 restrictions. Fiers drafted a memorandum dated 29 April 1987  
22 from you to Acting Director Gates which described the problems  
23 that had surfaced at the [facility]. Do you recall that memo?

24 C/LA/2: Very vaguely, Senator. I would have to see the  
25 memorandum in order to refresh my memory.

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1 CHAIRMAN BOREN: Do you recall any role that Mr. Gates  
2 had as Acting Director in the efforts to get to the bottom of  
3 these problems in terms of the [facility] and any allegations  
4 of unauthorized assistance?

5 C/LA/2: No, I do not.

6 \* \* \* \*

7 CHAIRMAN BOREN: Documents prepared for a meeting of the  
8 DCI and Deputy DCI Gates with Admiral Poindexter on 15 May  
9 1986 discussed Ollie North's desire that the CIA lease the  
10 Erria, a Danish flag ship linked to Thomas Clines. Were you  
11 consulted about the desirability of the CIA's leasing this  
12 ship in May 1986?

13 C/LA/2: No, sir, I don't recall that I was.

14 CHAIRMAN BOREN: Did you know that the Erria was  
15 connected to North?

16 C/LA/2: Somewhere along the line, but I can't remember  
17 when I learned that.

18 CHAIRMAN BOREN: Do you know whether or not Mr. Gates was  
19 aware of that?

20 C/LA/2: No, sir, I do not know.

21 \* \* \* \*

22 CHAIRMAN BOREN: An IG report on the Latin American  
23 Division -- you may recall this -- dated November 1986 was  
24 critical of, quote, "the management nightmare," unquote, in  
25 the Central American Task Force. In essence, the report

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1 criticized the unique one on one relationship between Mr.  
2 Casey and Mr. Fiers as a violation of management principles,  
3 allowing things to fall through the cracks. In retrospect, do  
4 you consider that an accurate assessment?

5 C/LA/2: Well, I think so. It was very difficult to try  
6 to impose a chain of command when the commander doesn't want  
7 it to be imposed, and that is sort of what happened.

\* \* \* \*

8  
9 CHAIRMAN BOREN: Let me ask you again -- all of these  
10 issues are of concern to us, but let me ask you again perhaps  
11 the issue of most major concern. Prior to the diversion being  
12 investigated and made public, did you ever discuss the  
13 diversion of Iran arms sales funds to aid the Contras with Mr.  
14 Gates?

15 C/LA/2: No, sir, I did not.

16 CHAIRMAN BOREN: And do you have any knowledge that  
17 would, to your knowledge, did Mr. Gates -- do you have any  
18 knowledge that would lead you to believe that Mr. Gates knew  
19 of the diversion of funds prior to this matter becoming a  
20 matter of public knowledge?

21 C/LA/2: No, sir, I do not.

\* \* \* \*

22  
23 SENATOR MURKOWSKI: Thank you, Mr. Chairman. Was the  
24 reference with regard to Gates' policies and lawyers a  
25 written, or was it perceived by the staff that an awful lot of

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1 legal "advice" wasn't necessarily a policy part of the  
2 operation, and in your opinion if this was the case, how would  
3 you describe it? Was it an effort to cover up or is it  
4 something else just to keep things more direct and less  
5 complicated?

6 C/LA/2: Well, I really can't -- it is difficult for me  
7 to speak to that, Senator, because I don't know what was going  
8 through Mr. Gates' mind if in fact he made that policy. But  
9 --

10 SENATOR MURKOWSKI: Was it a written policy?

11 C/LA/2: It was not written. I only heard about it in  
12 one case and that was the Joe Fernandez case.

13 SENATOR MURKOWSKI: And who did you hear about it from?

14 C/LA/2: From Clair George. I had called him previously  
15 and asked him what the policy would be about Joe's obtaining a  
16 lawyer and this was the answer that I received in a later  
17 telephone call.

18 \* \* \* \*

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## QUESTIONS FOR MR. DOHERTY

1. please describe fully your recollection of how the copy of the finding of December 5, 1985 -- the so-called "mini-finding" -- came to be discovered during the week of November 17-21, 1986, and what was done with it. please include in your response answers to the following questions:
  - a. Do you recall receiving a copy of this finding from Bernard Makowka on or about noon on November 19, 1986, and taking it with you to a meeting with Robert M. Gates?
  - b. Do you recall giving a copy to Mr. Gates?
  - c. What is your understanding of what Mr. Gates did with the copy of the finding?
  - d. Other than the discussion with Mr. Gates, what other discussion, if any, do recall during the week in question, of the finding?
2. please explain why, to the best of your recollection, the "mini-finding" was not included in the Director's prepared statement of November 21, 1986.

## ANSWER

During the week preceding the Director's scheduled testimony on November 21, 1986, certain current and former members of the Office of General Counsel recalled that a draft finding had been prepared at the Agency and sent down to the White House shortly after the November 1985 flight had occurred.

While attempting to reconstruct events, it became apparent that the Iran initiative had been surrounded by extraordinary secrecy. It seemed that few people within the Agency, including myself, had been aware of it. The Agency seemed to have no copies of any of the key documents that had been prepared. Accordingly, reconstructing dates and events with any precision was extremely difficult, particularly when coupled with the fact that a number of persons familiar with certain key events had left the Agency including the former Deputy Director of Central Intelligence and the former General Counsel.

The former General Counsel and Bernie Makowka, a senior attorney in my office, recalled that a draft finding had been prepared shortly after the November 1985 flight.

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Based upon that general recollection, a thorough search of the files of the Office of General Counsel was undertaken. These efforts proved unproductive until a day or two before the Director's scheduled testimony. At that time, Bernie Makowka advised me that the former General Counsel's secretary had found a copy of the draft finding on a "MAG" card in her files. We were pleased to have found the draft after such a concentrated effort and because we believed that it was in the Agency's interest to have obtained a finding as close as possible to the November 1985 flight.

Bernie handed me a copy on my way out of the office for a meeting with Bob Gates. I handed a copy to Bob Gates with the comment that we had just found this draft. I don't know what Bob Gates did with this draft.

During the same week (it could have been before or after we had discovered the draft) in a meeting in Bob Gates' office which included certain officials of the Directorate of Operations, I had suggested that the D.O. (which had been assigned primary responsibility for assembling the facts) contact the NSC staff to determine whether the NSC had any record of the draft finding, including whether it had ever been received and whether it had ever been signed.

It is my understanding that the Director's written testimony on November 21, 1986 did not refer to the 1985 draft finding because the Agency had either been advised that it had not been signed or had been unable to determine that it had been signed, and accordingly, it appeared that it had not become an effective finding. My recollection is, however, that the Director during his testimony alluded to the fact that as soon as the DDCI, John McMahon, learned about the November 1985 flight, his immediate reaction was that a finding should be obtained.

To my knowledge, the Agency first learned with certainty that the draft finding was actually signed when Admiral Poindexter so testified during the Congress's Iran-Contra hearings in 1987.

3. Mr. Gates has testified in his Iran-Contra deposition that you and Clair George recall his raising the speculation concerning a possible diversion of funds from the Iran arms sales to the contras at a meeting which Director Casey chaired late in the afternoon of November 20, 1986. According to Mr. George's testimony, the Director said words to the effect that "I don't know

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anything about that," and the subject was dropped. Do you recall such a discussion? If so, please describe it.

ANSWER

I recall attending a meeting (which may have been on November 20) at which a large number of Agency staff were present, including Messrs. Casey, Gates and George. It was a hectic meeting in which questions were being fired at the Director at a very rapid pace. Mr. Gates raised the issue of whether the Director had any knowledge of any of the funds from the Iran initiative finding their way to Central America. Mr. Casey answered emphatically that he did not know anything about that. I commented that there had been some speculation about that. The Director did not respond further. The next question was asked immediately and the meeting proceeded from there.

4. There had been a statement in the Director's draft testimony to the effect that "no one in the United States Government knew that the November, 1985 flight carried missiles until mid-January, 1986." What do you recall with respect to how this statement was placed in the draft testimony and the circumstances surrounding its deletion from the testimony?

ANSWER

On November 20, 1986, I attended a meeting at the Agency where I read the latest draft of the Director's proposed testimony scheduled for November 21. I believe it was prepared after a meeting at the White House which I had not attended. I noticed a statement in the draft to the effect that no one in the U.S. Government knew that the November 1985 flight carried Hawk missiles until January 1986. I commented that I seemed to recall that the former General Counsel had a recollection of having been briefed as to the contents of the flight shortly after the flight had occurred in November 1985. I received a response to the effect that he must be mistaken because everyone else remembered it was January 1986. Since I was not at all sure of my recollection, I did not pursue it further at that time.

Shortly after that, I returned to my office (which was located about ten miles from the headquarters building near Tysons Corner). I asked Bernie Makowka, a senior attorney in my office, to specifically raise the issue with the former General Counsel. To avoid any confusion, I instructed Bernie to be very careful to

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distinguish between when the former General Counsel learned what cargo was planned to be carried on future flights and when he learned what had been carried on the November 1985 flight that had already taken place.

Bernie returned to my office at approximately 7:30 p.m. and advised me that the former General Counsel recalled that he had received a briefing from two Directorate of Operations officers within a few days after the November 1985 flight had taken place. He remembered being told at that time that the November 1985 flight had carried missiles.

I immediately telephoned the Director. I reached him at home and advised him of the information we had just learned from the former General Counsel and the need to correct the draft testimony. The Director readily agreed and asked me to call his office to have his staff make the change.

I then called the Director's office. I related my conversation with the Director and instructed them to make the appropriate correction in the Director's proposed testimony. (I did not have a copy of the Director's draft testimony in my office at Tysons Corner during these conversations.)

Much later that evening at approximately 11:00 p.m., I received a telephone call at my office from Chuck Cooper, Assistant Attorney General, Department of Justice. Cooper expressed a concern about the accuracy of the statement in the Director's proposed testimony concerning the January 1986 date of the U.S. Government's knowledge about the contents of the November 1985 flight. I told Cooper that we had done some further inquiry ourselves and as a result we had already changed the proposed testimony on that point. Cooper then arranged to stop by CIA Headquarters the next morning to review the revised draft.

I subsequently learned that Cooper's call was prompted by a call he had received from the State Department. I had arranged for both the State Department and the Department of Defense to receive a copy of the Director's November 20 draft testimony. When the State Department reviewed the proposed testimony concerning the date of the U.S. Government's knowledge of the flight cargo, they knew it to be inaccurate because according to Cooper's Iran-Contra testimony, George Schultz had been briefed at the time of the November 1985 flight that it carried missiles. Accordingly, the State Department called Cooper to express their concern.

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However, by the time Cooper called the CIA, the inaccuracy had already been discovered and removed.

I would add that it became clear that the Agency was having a very difficult time assembling the relevant facts in the short time available before the scheduled hearing on November 21. I recommended to the Director of Congressional Affairs, to Bob Gates and to the Director, respectively, that they seek a postponement of the scheduled testimony so that additional time would be available to gather information. Each of them felt that it would have been impossible, politically, to seek such a postponement. As I recall the Director's testimony on November 21, however, did indicate that the Agency was still in the process of gathering relevant information.

5. You were briefed by Mr. Gates on October 15, 1986 concerning the Iran program, including a summary of Charles Allen's speculation that funds may have been diverted to support of the contras. Did Mr. Gates show you a copy of the memorandum prepared by Mr. Allen on October 14th, which was subsequently shared with Admiral Poindexter?
6. At his 1987 confirmation hearing, Mr. Gates testified that on October 15, he gave you "all the information that I had that included Allen's analysis. And I told him then to go look into it...I did not elaborate for him exactly who he should go talk to or exactly what institutions he should consult. He is the General Counsel, I expected him to know. I gave him the people who were involved and made sure he knew about Allen's analysis, and the concerns Allen had raised and asked him to look into it to make sure that everything we were doing was proper."

In your previous testimony before the SSCI, you stated that you did no investigation as a result of your conversation with Mr. Gates. What, in fact, was your understanding of what Mr. Gates asked you to do on October 15, 1986, and what actions, if any, did you take?

**ANSWER**

I was briefed by Bob Gates nearly a year after the commencement of the Agency's involvement in the Iran initiative when operational security problems had developed that threatened to expose the operation. Bob Gates was concerned about the Agency's legal position in the matter because the Congress had not been briefed on the finding and the Agency had no copy of the finding in

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its possession to establish its authority to participate. He asked my advice on the legal implications of the Agency's participation in the initiative, particularly in light of the fact that Congress had not been briefed.

He indicated that this was an extremely sensitive activity and that I should not discuss what he was about to tell me with anyone. It involved the shipment of arms to Iran and was related to efforts to free the hostages. The activity was being run primarily by the NSC and the Agency was providing support to it. The Agency interfaced with the Department of Defense to procure the required weapons and was then reimbursed. The activity was so sensitive that the Congress had not been briefed and therefore had no knowledge of the operation. Even the Agency did not have a copy of the finding that the President had signed authorizing the activity. He asked my advice on the strength of the Agency's legal position under these circumstances.

He also described the operational security concerns that were threatening exposure of the operation. One concern had to do with certain middlemen that had been involved in structuring the transaction and who had not been paid. They somehow had been shortchanged financially. They were very unhappy and were threatening to disclose the operation. The other area of operational concern had to do with an FBI investigation into the expenditure of certain funding for humanitarian aid in Central America. In this connection, the FBI was inquiring into certain activities of Southern Air Transport ("SAT") in Central America. The operational concern stemmed from the fact that SAT had been used to ship certain of the arms to Iran. The concern was that the FBI, in its humanitarian aid investigation of SAT, could inadvertently stumble into the Iranian initiative. He also mentioned that there was some speculation or rumor that some of the funds involved in the Iranian activity could have been sent to Central America. He indicated the Agency heard many rumors and speculation about funds reaching Central America from various sources so that the speculation was not unusual, but as far as the Agency knew the Iranian and Central American activities were completely independent from one another.

I asked Bob Gates a number of questions and it appeared from the information provided that the Agency knew very little about the unhappy middlemen including what financial arrangements had been made because the NSC had made all those arrangements. The same was true concerning SAT. The Agency did not know the details of

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their involvement including whether they were principals or agents in the transactions. The NSC had made all those arrangements. My impression at the meeting was that the speculation about the funding had derived from the involvement of SAT in the Iranian initiative. I asked Bob what the Agency knew about it and he indicated that the Agency had heard only speculation and rumors, that as far as the Agency knew, the Iranian initiative was completely independent of Central America and that if anything like that had happened the Agency was not involved in it. The Agency's side of the transaction was clean and all of its funds had been fully accounted for.

The information I received was that the Agency had a very limited perspective on the operation and that all of the operational concerns stemmed from a part of the transaction that had been structured by the NSC, which was controlling the operation. The NSC had dealt with the people who were causing the concerns. There was no suggestion in any of the information I received that the NSC itself was engaged in any improper activity. I recommended to Bob Gates that he bring all of the information about the operational security concerns including the speculation to the NSC and recommend that they get their NSC General Counsel and the White House Counsel involved to assure that the matter was dealt with appropriately. Bob Gates agreed with that recommendation, and I was later told that this had been done. I was not asked to pursue the operational security issues or speculation issue further and was surprised to learn on November 25 that the Agency had had further meetings with Furmark. I do not recall receiving the Allen October 14 memorandum at this meeting.

I was asked by Bob Gates to consider whether the Agency was on firm legal footing in its involvement with the operation. In particular, he wanted my opinion on the Agency's responsibility in the absence of notice to Congress and whether the Agency was in a weak legal position because it did not have a copy of the finding in its possession. I told him that there was legal authority for delaying notice under certain extreme circumstances. I asked him whether the finding contained an explicit directive by the President not to brief Congress and he said he did not know. On that issue, I expressed my view that the primary document that would bear on the Agency's authority to participate in the Iranian initiative was the Presidential finding, the only copy of which he said was at the White House. I told him that it was very important that I review the

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finding as soon as possible. He indicated that he had or would request a copy and that he would let me know as soon as it arrived.

I received a call from Bob Gates' office on or about November 8 to the effect that the finding had just arrived. That same day I went to his office and reviewed the finding. It had a January 1986 date and contained an explicit directive to the Agency not to brief Congress until so authorized by the President. It also appeared to me that the Agency's activities as described to me by Mr. Gates, were all within the scope of the activities authorized by the finding.

A short time after my review of the Presidential finding, Mr. Gates called me into a meeting in his office. Both Clair George and Tom T. were in attendance. Bob Gates asked the D.O. officials to brief us on the Agency's role in the Iran initiative. The briefing we received was consistent with the information previously provided to me by Bob Gates and indicated that the Agency had played a relatively minor role in supporting an initiative largely controlled by the NSC. There was no mention of any financial connection between the initiative and Central America, and no mention was made of the November 1985 flight that had taken place. As described to Bob Gates and myself all of the Agency's activities in support of the Iranian initiative took place after the finding was signed in January 1986. After the briefing, I commented that it appeared to me that Agency's activities were all within the scope of the activities authorized by the finding.

After that meeting, I asked my counsel to the D.O. to obtain more detail from the D.O. as to its participation in the Iranian initiative (that effort resulted in the D.O. subsequently acknowledging that a November 1985 flight had taken place prior to the January 1986 finding). Almost simultaneous with this effort, it became apparent that the operation would be exposed and numerous people in the Agency were assigned various responsibilities under the general oversight of Bob Gates in preparation for briefings of the Congressional Committees.

7. Allen has testified about the following events that took place before 1 October:
  - a. North instructed George Cave and Allen to defend the pricing of arms sold to Iran,

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- b. North proposed that a false price list be manufactured,
- c. Ghorbanifar made a "frantic call" to Allen to complain directly about his financial problems,
- d. Israeli official Aviram Nir had direct contacts with Allen on Ghorbanifar's financial problems, and
- e. North referred at a 9 September meeting with Allen to the need to raise \$4 million for Ghorbanifar and to the possibility of taking it from "the reserve."

Do you recall being told about any of these events prior to 25 November?

ANSWER

I recall learning about most of the events listed in Question #7 over the course of the Iran-Contra affair. I cannot now place at what point in time I may have learned of each of these facts over the many months that the Iran-Contra events unfolded during late 1986 and 1987.

- 8. Director Casey had a phone conversation with a businessman named Roy Furmark on 7 October regarding the financial problems with the Iran initiative. Allen had a series of meetings on October 16 and 22 and November 6 with Furmark. Memos were prepared by Allen and/or George Cave after each such meeting. You have testified that you do not recall Gates mentioning Furmark's name at your meeting with Gates on 15 October.

Did anyone tell you about Furmark's statements before 25 November? If so, please explain.

Do you recall seeing any of the memoranda prepared by Charles Allen and/or George Cave recounting their meetings with Roy Furmark? If so, please explain.

ANSWER

I do not recall Bob Gates mentioning Furmark's name at our meetings in mid-October. He did mention an operational security concern which related to certain unhappy investors or middlemen who somehow had not been paid, or had been shortchanged in connection with the delivery of missiles to Iran. These people were threatening to somehow expose the Iran initiative.

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I did not attend, nor was I aware of the discussions and meetings with Furmark when they occurred. I first saw the memoranda of these meetings on November 25, when they were shown to me by the Director. I believe I also first received the Allen October 14 memorandum at that same time.

\* \* \* \* \*

It is my distinct impression that during the period in question, Bob Gates made a diligent effort under difficult circumstances to reconstruct the events surrounding the Agency's participation in the Iran initiative.

(SIGNED)  
DAVID P. DOHERTY

SWORN TO BEFORE ME THIS 5TH DAY OF AUGUST 1991.

**BARRY M. HOCHHAUSER**  
NOTARY PUBLIC, STATE OF NEW YORK  
NO. 24-4962037  
QUALIFIED IN KINGS COUNTY  
COMMISSION EXPIRES FEBRUARY 12, 1992

(NOTE: ORIGINAL ON FILE WITH COMMITTEE)

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BERNARD MAKOWKA'S ANSWERS TO  
SSCI QUESTIONS [REDACTED]

1. According to your Iran-Contra deposition (Vol. 17, p. 618), you testified that on or before November 17, 1986, after OGC and other CIA offices had been asked to begin pulling together what they knew about CIA's role in the Iran arms sales, you began an extensive file search to locate the December 5, 1985 Finding that had retroactively authorized CIA's assistance to the November, 1985 flight from Tel Aviv to Tehran. According to your testimony, you were the drafter of the Finding in question, and, indeed, had been told by LTC North in December, 1985 that the finding existed and was in his safe if ever needed.

- a. At the time the testimony was being prepared, did you advise the General Counsel, David Doherty, that you recalled the finding and were seeking to locate it? Were you aware that Mr. Doherty brought this to Mr. Gates' attention? Please describe when these conversations took place and how you became aware that Mr. Gates had been informed of this.

Answers: I did advise Mr. Doherty that I recalled preparing a draft Finding in November 1985. At the time I mentioned it to Mr. Doherty, I remembered it as a November draft, was not certain that it had been signed, and did not know that it had been signed on December 5, 1985. I did have a subsequent conversation with LTC North in which he implied that the Finding was signed, but I did not know for sure. On or before November 17, 1986, I was looking for the November draft.

It was my impression that the draft November Finding had been brought to Mr. Gates attention, but I have no direct knowledge that it was. I do not remember the precise basis for this impression, but it was most likely through conversations with Mr. Doherty or George Jameson.

I am not sure exactly when these conversations took place, but they would have occurred sometime during 17 to 20 November 1986 prior to the testimony scheduled for 21 November.

- b. Did you subsequently learn from Mr. Doherty that Mr. Gates had raised this matter at a meeting at the White House, where he was told by North or Poindexter, or both, that the December 5, 1985 Finding did not exist? If so, please explain when this conversation took place and what you were told by Mr. Doherty.

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Answers: Yes. I am not sure exactly when this conversation took place, but it probably was sometime during 17 to 20 November 1986. The conversation was probably with Dave Doherty or George Jameson. I do not recall anything more than the fact that the existence of the finding was denied by LTC North, Adm. Poindexter, or both. Having heard this, I intensified my efforts to find a copy of the draft finding. I do remember thinking, however, that perhaps the finding had never been signed, that my impressions from my conversation with LTC North may have been mistaken.

- c. Did you then raise the matter in a conversation with Charles Allen, who was, indeed, aware that the finding in question existed? If so, please recount the conversation that you had with Mr. Allen. When did this take place?

Answers: I raised the matter with Charles Allen. He said that he had talked to LTC North and that LTC North had told him that there really never was such a finding. Mr. Allen was troubled by this response and said that he remembered the "mini-finding", but he said that it was only our word against theirs that such a finding existed. When I heard this, I continued to look for a copy of the draft November finding. I am not sure when this conversation took place, but it was probably during 17 to 20 November 1986.

- d. Did Mr. Allen subsequently report to you that he had called LTC North at the NSC and raised this matter with him, and that North had made it clear to him (Allen) that the Finding did not exist, and, if CIA claimed that it did, it would be "our word against theirs"? Please explain in detail what you recall about this conversation with Mr. Allen. When did this conversation with Mr. Allen take place?

Answers: See answer to 2c above. It was not LTC North, but Mr. Allen who said that it would be our word (Mr. Allen's and mine) against theirs.

2. In your deposition, you also testified that you, Doherty, George Clarke, and Ed Dietel, all of the CIA Office of General Counsel, met with your former boss, Stanley Sporkin, on November 17, 1986, to discuss what he recalled about the Iran operation. You stated that you specifically raised the December 5, 1985 "nunc pro tunc" finding with Sporkin who had a clear recollection of it. Was this discussed in the presence of Doherty, Clarke, and Dietel? If so, what do you recall about their reactions?

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Answers: Yes, it was discussed in their presence. Actually, it was Judge Sporkin who recalled the draft finding, without being reminded. The reaction of these officers was that this was something that we should follow up on, i.e., we should document the existence of such a finding by retrieving a copy of it, if possible. I saw no indication of any desire to ignore that finding. Judge Sporkin was the one who called it a nunc pro tunc finding, not me.

3. According to your deposition, after considerable search, you later found your draft of the Finding on a "mag card." When did this occur? What did you do when you found it?

Answers: I am not sure of the exact date, but it was probably sometime during 17 to 20 November 1986, possibly on Wednesday, the 19th, but definitely before the testimony was to be given on the 21st. I immediately advised Mr. Doherty who was heading off to a meeting with the group organized under Mr. Gates to prepare the testimony for the DCI. He took a copy along with him to that meeting.

4. In your deposition, you testified that you reviewed the Finding that had been copied from the mag card and determined that it was the same one you had worked on. You go on to say, on p. 622, "this was found and reported to me like noon and Dave Doherty was going over to attend a meeting of Gates' group pulling together all of the facts, and I stopped him and made him late for the meeting to make sure he had a copy of this and would take it to the meeting."

- a. When did this take place?

Answer: See my answer to Question 3 above.

- b. What did you say to Mr. Doherty? Did you advise him that this was the Finding that Gates had raised at the White House which North or Poindexter had said did not exist?

Answer: I told him that I had found the missing finding, and I am certain that he knew which one I was talking about. I did not, however, specifically identify it further, as far as I can recall.

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- c. What was his reaction to you?

Answer: He took it very seriously. He waited to take the copy to the meeting, although he was already late. He seemed to realize its relevance to the testimony.

- d. Do you know whether Mr. Doherty raised the matter of the finding with Mr. Gates and the group preparing the testimony? What is the basis for your knowledge?

I do not know in fact whether Mr. Doherty raised the matter. I assumed he would bring it up at the meeting or another appropriate time. This assumption is based on his reaction to my information.

- e. Did you ever have a conversation with Robert Gates personally about the existence of the draft November finding?

Answer: No. I was not directly involved in the preparation of the testimony and do not believe I have ever seen any copies of it. I cannot say for sure whether he was ever shown or informed of the finding.

5. Did you ever speak with John McMahon about his recollection of this finding? If so, please describe the nature of this conversation. Where these recollections reported?

Answer: I am not certain that I spoke to Mr. McMahon about this particular finding. I did ask a former special assistant of his, Diane Rankin, to help me search his records for anything relevant to the Iran matter, and I believe I may have participated in a conference call with him. I would have raised the question if I had an opportunity to do so. It was my impression that Judge Sporkin had discussed the draft November finding with McMahon at the time it was prepared, in November 1985.

6. Was the OGC role in the preparation of the finding included in the OGC chronology prepared as part of the preparations for the testimony? If so, what became of this chronology? Did Mr. Gates, to your knowledge, ever see this chronology?

Answer: I believe that a reference the draft November finding was included in the OGC chronology. This chronology was one of several chronologies that were considered in connection with a chronology prepared by the Office of Inspector General. I do not know what ultimately became of the OGC chronology. I assume it became part of the OGC records collected in connection with the Iran-Contra investigation. I understand that OGC is trying to retrieve this chronology but thus far has been unsuccessful. I do not know if Mr. Gates ever saw the OGC chronology.

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7. The Casey prepared testimony ultimately did not mention the December 5, 1985 Finding you had worked on, although obviously yourself, Dave Doherty, Ed Dietel, George Clarke, and Charles Allen, were aware, or became aware, of its existence. What is your explanation of the failure to include this?

Answer: As far as I know, none of us know for sure that this finding had been signed on December 5 until much later. I do not know why a reference to the November draft was not included. I have no information that it was part of any conspiracy or coverup. I have every respect for the integrity of Mr. Doherty and do not believe that he would have participated in such a conspiracy or coverup.

My guess is that the draft November finding may have gotten lost in the rush to prepare the testimony in a very short time. I recall understanding that there was not very much information available at the time to the group preparing the testimony. Director Casey was out of the country and some of the others, such as Judge Sporkin and Mr. McMahon, had already left the Agency. In this context, the group may have been conservative about what was included in the testimony, limiting it to those things that they were certain had been approved. For all that was known at the time, the draft November finding could never have been finalized or signed. Even if it had been signed, it may have been considered to have been superseded by the final January 17, 1986 finding.

8. Did you know in advance or did you come to learn that the Director's testimony would contain no mention of the December 5, 1985 finding? If so, when did you learn this? What, if any, actions did you take?

Answer: I did not know at the time, or at any time until now, that the testimony did not mention the finding. I assumed that the testimony did contain a reference.

9. If the "mini-Finding" had been disclosed, it would have meant that CIA had undertaken a covert action without the benefit of a finding, and that the finding had specifically provided that Congress not be notified. To your knowledge were these considerations ever discussed in deciding whether to include mention of it in the testimony?

Answer: I have no knowledge that any such considerations were discussed.

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10. Similarly, mentioning the finding on November 21, 1986, two days after the President had held a news conference to say that this was not "arms for hostages" would have been, as Admiral Poindexter said later, "politically embarrassing" for the President. The finding, indeed, seemed to authorize just that. To your knowledge, were these considerations ever discussed in terms of deciding whether to include it in the Director's testimony?

Answer: I have no knowledge that any such considerations were discussed.

11. You testified in your deposition that Dave Doherty had himself confirmed with Stan Sporkin earlier in the week that it had been Sporkin's recollection that there were missiles or arms aboard the November, 1985 flight. Doherty, you said, asked you to confirm this recollection with Sporkin on November 20th, the day before the testimony, and you did so. You also said at that point Sporkin became very concerned about the Casey statement to the effect that nobody at CIA knew anything about the missiles until January, 1986. You testified you went back to Doherty about 9:00 p.m. on the 20th and told him Sporkin was "very vehement in saying yes, it was arms and we can't be saying anything other than that." You said he picked up the phone and called Casey and said the statement would have to be changed, and Casey agreed. What was your understanding of how this decision was carried out? Do you also recall whether Doherty confirmed to Casey Sporkin's "very vehement" statement that the flight had carried arms?

Answer: My recollection is that Mr. Doherty did convey Judge Sporkin's impressions to Casey in a phone call that evening, and I remember that they were accepted without argument. Director Casey clearly indicated that the testimony would have to be changed. Mr. Doherty passed Director Casey's instructions on to an officer who was preparing the testimony, whom I believe was [REDACTED]. [REDACTED] indicated that copies of the testimony had already been printed, so that the changes would have to be handwritten in or orally discussed with the Committee at the time of the testimony. I had the clear impression that the testimony would be modified to take into account the information I had brought from Judge Sporkin. I was satisfied that Judge Sporkin's wishes had been fulfilled.



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To your knowledge, were these specific recollections of Sporkin ever brought to the attention of Mr. Gates?

I have no knowledge that they were brought to his attention. I did not do so.

*Bernard Mahoney*  
12 JULY 1991

Subscribed and Sworn to before me this 12th day of

July, 1991.

*Elizabeth P. Alexander*  
Notary Public

My Commission Expires:

31 December 1995

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CHARLES E. ALLEN

RESPONSES TO QUESTIONS OF

SENATE SELECT COMMITTEE ON INTELLIGENCE (SSCI)

3 July 1991

## 1. QUESTION:

Your testimony to the Iran-Contra Committees discussed the following events:

- a. North's instructions to George Cave and yourself to defend the pricing of arms sold to Iran,
- b. North's proposal that a false price list be manufactured,
- c. Ghorbanifar's "frantic call" to you and North's response when you told North about it,
- d. Aviram Nir's contacts with you on Ghorbanifar's financial problems, and
- e. North's reference on 9 September to the need to raise \$4 million for Ghorbanifar, as reflected in your 10 September memo to Casey, and North's reference to taking it from "the reserve."

Do you have any recollection of discussing any of these things with Mr. Gates on or before 1 October? At any time until 25 November? If so, please explain what you recall of the circumstances.

## ANSWER:

I recall discussing the Iranian initiative with Mr. Gates on 1 October 1986 and expressing deep concern over this White House-directed effort. I had been deeply troubled since mid-August 1986 over a number of aspects of the initiative and conveyed these concerns in some detail to Mr. Gates during the 1 October meeting. Specifically, I recall in the context of that meeting:

- a. Describing the impasse over the pricing and [REDACTED] refusal to pay to Mr. Ghorbanifar the price asked for the Hawk spare parts because the price was "five or six times" the actual cost of the parts.

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b. Noting the desperate financial straits of Manuchehr Ghorbanifar and his "frantic" call to me in August 1986 in which he provided details on specific costs of certain Hawk missile spare parts, and in which he claimed that his markup on the price of the spare parts averaged only about 40 percent.

c. Mentioning Lt. Col. North's reference to "the reserve" in his conversation with me on 9 September 1986 in which he stated that Vice Admiral Poindexter had formally approved the second channel and that the Ghorbanifar channel would be shut down.

d. Informing Mr. Gates that of Mr. Aviram Nir's statements in support of Mr. Ghorbanifar assertions that the latter as the middleman in the transaction was substantially overcharged.

e. Detailing Mr. Nir's fears that the operational security of the initiative was rapidly eroding and that immediate action was needed to shore up its security.

These facts among others were repeated in a meeting with Mr. Casey on 7 October 1986 in which Mr. Gates was present. I do not recall informing Mr. Gates specifically about Lt. Col. North's admonitions to me and to Mr. Cave to defend the pricing of the arms or North's proposal to manufacture a false price list. Further, I do not recall speaking to Mr. Gates directly on these specific issues between 7 October 1986 and 25 November 1986, although we talked in general terms about the problems of the initiative on 15 October 1986 following Mr. Casey's and Mr. Gates' meeting with Vice Admiral Poindexter at the White House. In the meeting with Mr. Casey on 7 October 1986, I recounted why I had come to believe that proceeds from the Iranian arms sales had been diverted to the Contras.

## 2. QUESTION:

You testified that at some time in August, 1986, you met with Richard Kerr, then DDI, and discussed your concerns about the Iran operation.

What specifically do you recall telling Mr. Kerr?

Were others present at the time the discussion took place? If so, please identify them.

What, to your knowledge, did Mr. Kerr (or others present) do with the information you had provided?

Did Mr. Kerr request any subsequent briefings regarding your concerns about the Iran operation? Did you unilaterally provide him with any additional briefings on the matter?

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## ANSWER:

I met with Mr. Kerr at my initiative about mid-August 1986 to brief him on the NSC-directed initiative, to express to him my alarm over the project's lack of operational security, and to inform him of my belief that profits obtained from the arms sales to Iran were being diverted to support Contra forces in Nicaragua. Mr. John Helgersen, the Associate Deputy Director of Intelligence, was the only other individual present; he attended at the invitation of Mr. Kerr.

I stressed to Mr. Kerr the project's lack of operational security and pointed out that no arrangements were being made to shut down effectively the first channel--the Ghorbanifar link to the Iranian Prime Minister's Office. I described in some detail the pricing impasse that intelligence showed had existed for over a month. The intelligence showed that the Iranians in Tehran believed they were being grossly overcharged by agents of the US Government. I further described why I believed the NSC was mixing the Iranian project with White House initiatives in Central America. I cited a number of indicators of this, including the fact that Mr. Albert Hakim and Major General Secord were totally managing the newly established second channel and that they were also key individuals in the so-called private efforts to support the Contras in Central America. After I had detailed my concerns, Mr. Kerr asked me to keep him closely informed on these developments. I ran into Mr. Kerr later in the day in CIA's Operations Center, and he again returned to our earlier conversation. He expressed the view that it was not a question of "whether the initiative would be leaked, but when."

I was not personally aware at the time of what Mr. Kerr had done with the information, if anything. After 25 November 1986, however, Mr. Kerr told me that he had raised the matter with Mr. Gates, including the possible diversion of funds. He added that Mr. Gates could not recall this conversation.

I briefed Mr. Kerr on the NSC initiative a few other times after the August session. I cannot recall the specifics of these briefings, although they generally related to the continuing efforts of the White House and of Lt. Col. North to resolve the hostage crisis. I am certain that I discussed with Mr. Kerr the circumstances relating to David Jacobson's release at the end of October 1986. I am reasonably certain that either in October or November 1986 I informed Mr. Kerr about my meetings with Mr. Furmark.

## 3. QUESTION:

A North notebook entry for 1 October refers to a "1230 Call from Clarridge" and a subsequent apparent reference "Gorba: Divert onto other enterprise."

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Do you have any explanation for the reference? If so, please explain what you believe this may refer to.

ANSWER:

In regard to the cryptic reference in Lt. Col. North's notebook entry of 1 October, I believe this was a reference to get Mr. Ghorbanifar engaged in other activities apart from the NSC-sponsored initiative. Mr. Clarridge, Mr. Cave, and I had repeatedly pointed out to Lt. Col. North that Mr. Ghorbanifar was embittered as a consequence of being shoved aside when the second channel was established. I believe this was finally recognized by Lt. Col. North, and I heard him and others, such as Mr. Twetten, indicate that the plan was to get Mr. Ghorbanifar into supporting the US in its counterterrorist activities. It was believed that this might placate Mr. Ghorbanifar and preclude him from exposing the operation. At the time, there was optimism at the White House that the second channel would result in a speedy resolution of the hostage crisis.

4. QUESTION:

A CIA MFR dated 3 October 1986 and initialed by Gates reflects that Gates met with Admiral Poindexter on 2 October. It states: "There was discussion of a special Iranian project. Have Tom Twetten and Charlie Allen call me."

Do you recall whether you responded to Gates on this occasion? If so, what was discussed?

Did you ever talk to Twetten about the possible diversion or any of the other matter that you discussed with Gates on 1 October? If so, describe each occasion.

ANSWER:

I do not recall Mr. Gates contacting me on either 2 or 3 October 1986 after his conversation with Vice Admiral Poindexter.

I do not recall a specific conversation with Mr. Twetten about the possible diversion of the profits obtained from the transactions with Iran to the Contras, but I do recall having at least a couple of conversations in September and October 1986 timeframe with Mr. Twetten in which I expressed serious reservations about the Iranian initiative, particularly the poor operational security involved. I do not recall the precise dates of these conversations, but I remember that Mr. Twetten shared my concerns and recommended that I keep careful records of any conversations with Mr. Nir or Mr. Ghorbanifar.

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## 5. QUESTION:

In the section of your 14 October memo discussing Ghorbanifar's claims, you made very definite statements about his state of mind and his direction to certain individuals to make written accounts available to the press if "something bad" happened to him.

Was this or any other passage in the 14 October memo based on your direct conversations with Ghorbanifar?

What other sources did you have for your statements about Ghorbanifar's state of mind and actions? Was Aviram Nir such a source?

Did either Ghorbanifar or Nir ever say anything in the two months before 14 October about a possible diversion? What?

## ANSWER:

My comments on Mr. Ghorbanifar's state of mind and the precautions taken by him to ensure that the Iranian initiative was exposed in the event "something bad" happened to him were based on conversations with both Mr. Ghorbanifar and Mr. Nir. Mr. Ghorbanifar, in conversations with me on a number of occasions in the late summer of 1986, expressed deep bitterness over his circumstances and anger at being pursued by creditors for payment of the \$15 M borrowed to cover the cost of the Hawk spare parts. He told me on more than one occasion over the telephone that he had prepared detailed accounts of meetings with US officials and their agents and that he had taken steps to ensure the project would be exposed if he was in some way harmed. Mr. Nir--who served in essence as Mr. Ghorbanifar's case officer--took a similar line with me. Mr. Nir strongly argued in the August-September 1986 timeframe that the White House's shabby treatment of Mr. Ghorbanifar was seriously endangering the entire effort; he was intense in putting forth this view.

Neither Mr. Ghorbanifar nor Mr. Nir ever explicitly stated to me that they believed the US Government was moving profits from the arms sales to Iran to the Contras, but both asserted that the pricing for the Hawk spare parts was extraordinarily high and unjust and rhetorically asked where the excess profits were going. Mr. Nir, in conversation with me in early September 1986, again and again returned to the question of pricing, asserting that Mr. Ghorbanifar was telling the truth on this matter.

## 6. QUESTION:

There appear to be at least two key differences between the way you framed the diversion issue, initially, at your meetings with Gates on 1 October and with Casey and Gates on 7 October, and the way you framed the issue in your 14 October memo.

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First, the accounts by you and Gates of the 1 and 7 October meetings refer to the pricing discrepancy and the involvement of Secord and Hakim in both the Iran initiative and contra support. But your 14 October issue speaks only in terms of Ghorbanifar's likely allegation.

Second, instead of referring specifically to your speculation that money from the Iran arms sales had gone to the contras, you used the phrase "to other projects of the US and Israel."

How do you explain the changes in the way these points were framed in the memo of October 14?

ANSWER:

I concur that the memorandum that I prepared on 14 October 1986 was oblique in referring to possible illegalities involving US parties involved in the Iranian initiative. I did this deliberately. Even though I told Mr. Gates on 1 October and 7 October 1986 and Mr. Casey on 7 October 1986 I believed that profits accrued as a consequence of the arms sales to the Iranian Government had been diverted to support Contra forces in Central America, I was hesitant to allege in writing that White House officials directing the project, including the National Security Advisor, were engaged in highly questionable, if not illegal activities. I had reached an analytic judgment--based on a number of indicators--that a diversion was occurring but I lacked hard, documentary evidence. To put this in writing at this juncture did not seem prudent.

I was particularly concerned with what Mr. Casey might do with the memorandum, once it was written. Therefore, I put my concerns over possible "illegalities" in the context that Ghorbanifar might allege that funds had been diverted from the Iranian arms sales to support other projects of Israel and the United States. Mr. Casey, in fact, did what I thought he might do. He along with Mr. Gates took the memorandum to Vice Admiral Poindexter, went over it with him in detail, and left it with him. He also told Admiral Poindexter that "Charlie Allen had prepared it." Retrospectively, I believe the approach I took at the time was the appropriate one, given evidence available to me. I had conveyed my concerns orally to both the DCI and DDCI and had raised major concerns about the entire project in writing. The memorandum, moreover, had been shown to other senior officials, included Mr. Cave, Mr. Clarridge, and Mr. Twetton. To have made allegations of possible illegalities in a formal memorandum--with the evidence at hand--on an initiative that involved the President caused me real concern. At the time, I firmly believed that I had provided the necessary warning to the most senior officials in the Agency.

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## 7. QUESTION:

Gates testified that the passage in the October 14, 1986 memo on the diversion was "even more vague, even more speculative than the information he had conveyed to me orally on the 1st." He appeared to draw the conclusion from the way the memo was phrased that you were less confident of your conclusions.

When you met with Gates and Casey on October 15, 1986, did Mr. Gates ask you about this point? Did you provide him with a verbal explanation at your own initiative?

## ANSWER:

As I explained in my response to Question 6, I was deliberately less direct in my memorandum of 14 October 1986 relating to the issue of a possible diversion. I had not changed my view that funds probably were being diverted from the Iranian initiative to support the Contras. Nothing had changed in this regard since 1 October.

Mr. Gates, to the best of my recollection, never raised with me the less direct statement about the diversion that was contained in my memorandum of 14 October or asked if I had become less confident about my judgment on the diversion. I recall that Mr. Casey and Mr. Gates were in a very somber mood when they returned from the White House after meeting with Vice Admiral Poindexter. I also recall Mr. Casey asking me the next day to meet with Mr. Roy Furmark, an associate of Adnan Khashoggi, to obtain more information about the murky financial arrangements surrounding the arms sales to Iran. I met with Mr. Furmark on the afternoon of 16 October 1986.

## 8. QUESTION:

Your 14 October memo states, "It is unlikely we could totally discredit any revelations by Ghorbanifar; he has too much documentary evidence that implicates US officials."

What documentary evidence were you referring to? What revelations did it relate to?

Which US officials were implicated? In what ways?

## ANSWER:

Based on conversations with Mr. Nir and Mr. Ghorbanifar, I had become convinced that the latter had kept careful records of his meetings with US officials and individuals acting on behalf of the US Government. Mr. Nir told me on several occasions, especially after becoming alarmed over the White House's disregard for the projects's operational security, that Ghorbanifar had documented in detail meetings with American

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officials and private American citizens acting on behalf of the US Government. If sufficiently provoked, Mr. Nir stated he believed Mr. Ghorbanifar would expose US contacts with the Iranian Government and accuse US officials of failing to act in good faith. Given his involvement from the outset in the Iranian initiative, Mr. Ghorbanifar could have revealed a great deal of information, from the shipment of Israeli TOW missiles to Iran in August 1985 to the establishment of the second channel to Iran in the late summer of 1986.

I believe he would have named not only Lt. Col. North but Mr. McFarlane, whom he met in London, Vice Admiral Poindexter, and possibly others. Mr. Ghorbanifar could have provided substantial information, including the ill-fated trip that Mr. McFarlane and Lt. Col. North and others, made to Tehran in May 1986. I am not certain how he would have implicated those officials, but I believe he could have made a strong case that the US Government through intermediaries was charging highly exorbitant prices for the Hawk missile spare parts so that profits accrued could be used for other purposes outside of normal government channels.

#### 9. QUESTION:

You testified that on 16 October, the day after Casey and Gates met with Poindexter, you were in Casey's office with Casey and Gates. You said Casey told you it was "important to get additional data from Mr. Furmark." You also said Casey "called Mr. Furmark while I was there" but couldn't get through, then later Casey called you at your office and said he had set up a meeting between you and Furmark.

Was Gates present at the time Casey talked about getting more information from Furmark?

#### ANSWER:

I recall that Mr. Gates was present. Mr. Casey told me that it was important for me to talk with Mr. Furmark in order to obtain additional data about the financial aspects of the Iranian initiative.

#### 10. QUESTION:

You met with Roy Furmark on October 16, 22, and November 6. Memos were prepared after each meeting.

Do you have any recollection of discussing with Gates the results of any of these meetings prior to November 25, 1986? Do you have any knowledge that any of the memoranda prepared after these meetings were read by Mr. Gates? If so, please explain.

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## ANSWER:

I do not recall discussing the Furmark memoranda of 17 October and 23 October with Mr. Gates. I recall Mr. Gates was out of the country during the last two weeks of October, and I was in Europe and Canada from 24-30 October on a counterterrorism mission. I recall discussing the 7 November memorandum with Mr. Gates, but I cannot remember the substance of that conversation.

## 11. QUESTION:

Your memo of 7 November on your 6 November meeting with Furmark has a fairly detailed discussion of the diversion. The memo said the investors intended to sue Khashoggi and "to implicate in the litigation directly senior levels of the US government." This memo was addressed to Casey and Gates.

Do you know if Gates received or saw this memo or otherwise learned of its references to the diversion or to a lawsuit implicating senior US officials?

## ANSWER:

I believe Mr. Gates saw the 7 November 1986 memorandum and recall discussing it with him. I do not recall, however, the specifics of our conversation.

## 12. QUESTION:

Bernard Makowka, formerly an Assistant General Counsel at CIA, has testified to the following episode which occurred during the preparation of the Casey testimony of November 21, 1986:

-- OGC was asked to pull together all of their materials on the Iran arms sales.

-- He was the drafter of the finding that had retroactively authorized CIA's assistance to the flight that occurred in November 1985, and, indeed, in a meeting which you and he had with Ollie North in the White House on December 24, 1985, had learned that it had been signed and was in Ollie's safe.

-- Makowka says he tells Dave Doherty the General Counsel that this thing exists, and that he is going to try to locate it.

-- Makowka says that Doherty passes this on to Gates who raises it at a meeting he had at the White House with North and Poindexter, and either of them or both tell Gates "this thing does not exist."

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-- Makowka says Doherty reports this back to him. Then he has a conversation with you, and asks whether you have any recollection of this finding. You respond that you do, and refer to it as the "mini-Finding."

-- You then call North at the White House who tells you that he wants you to understand "the finding does not exist."

-- You get back to Makowka and tell him that the White House is telling us it doesn't exist, and if we claim otherwise, it will be our word against theirs.

-- Makowka says that by this time he had confirmed his recollection with Stan Sporkin, and had located an unsigned copy of the finding in question on a mag card, that he gives to Doherty who is on his way into a meeting with Gates to discuss the testimony, and Doherty promises him that he will raise the matter at the meeting.

What do you recall about this episode? Please include in your answer responses to the following questions:

Did North confirm to you that Gates had raised this matter and what he had been told?

Can you place this episode in time? We know that Gates met with North and Poindexter in the afternoon of November 19, 1986.

Where you in attendance at any meeting in connection with the preparation of Mr. Casey's testimony when the "mini-finding" was raised? when a copy of the draft "mini-finding" was displayed? if so, please describe.

## ANSWER:

My recollection of the events surrounding the so-called "mini-finding" differs in some respects from the account given by Mr. Makowka, although most of his comments are consistent with my memory of the event.

Contrary to Mr. Makowka's assertion that it was he who raised the question of the "mini-finding," I distinctly remember raising it directly with Mr. Makowka the week of 17 November 1986. Initially, Mr. Makowka did not recall the finding but agreed to check his files to see if he could locate such a document.

I knew such a finding probably existed and that it probably had been signed by the President. Mr. Clarridge had informed me around 27 November 1985 that Mr. McMahon had ordered a finding be prepared to cover the airlift of arms using an Agency proprietary into Tehran on 24-25 November 1985 as well as to cover any future arms flights. He said Mr. Sporkin was looking into the matter to see if a finding could be prepared ex post facto. I later

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learned that Mr. Makowka was working on drafting such a finding, although I cannot recall who told me.

I believed that the President had signed such a finding because Mr. Makowka and I were in Lt. Col. North's office in the Old Executive Office Building (Room 392) on 24 December 1985 to discuss a counterterrorist issue in no way related to the Iranian initiative. Before the meeting began, Lt. Col. North told Mr. Makowka that he wished to thank both Mr. Sporkin and Mr. Makowka for their "recent outstanding work;" he then turned, and pointing to a safe in the corner of his office, stated the only "signed copy" of the document was in the safe. Lt. Col. North did not state explicitly that the document was a Presidential Finding, but both Mr. Makowka and I assumed that he was referring to the so-called "mini-finding."

To his credit, once energized, Mr. Makowka searched diligently for the "mini-finding" and informed me on about 19 November 1986 that he had located a draft. I called Lt. Col. North and informed him that a draft Presidential Finding covering the movement of arms into Tehran in November 1985 had been located by the CIA's Office of General Counsel. Lt. Col. North, in an abrupt manner, told me emphatically that the Finding did not exist and that I was mistaken.

During the preparation of Mr. Casey's testimony for 21 November 1986 I recall raising the issue of the "mini-finding" in Mr. Casey's office. I believe this occurred on 20 November 1986. I recall with great clarity Mr. Clair George informing me in a blunt and verbally abusive manner that the Finding did not exist and that I should "shut up talking about it." Mr. George's statement was made in front of Mr. Casey. I did not recall who else was present, but I am almost certain that Mr. Cave was there.

I have no good explanation as to why the existence of the "mini-finding" was omitted from Mr. Casey's testimony. However, the vehemence of Lt. Col. North's denial as well as Mr. George's strong statement and the fact no one had seen a signed copy of the Finding clearly were inhibiting factors. Moreover, I was reluctant to surface this issue at a time when senior officials around Mr. Casey were struggling to get even some of the basic facts together about CIA's support to the White House. In addition, it is essential to remember that CIA's effort had been highly compartmented, that records concerning the Iranian initiative were highly segregated, and that most officials only had partial knowledge of the effort. At the working level, moreover, no one seemed to be in charge of putting the Director's testimony together, although the Office of the General Counsel and the Directorate of Operations appeared to have the lead. Mr. McCullough and I both commented late on 20 November 1986 as we were making final changes to Mr. Casey's testimony that "no one was really in charge." In sum, CIA's most senior officials

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served both Mr. Casey and Mr. Gates poorly in putting the testimony together.

## 13. QUESTION:

The Casey statement also failed to mention the speculation that you had raised repeatedly with Casey and Gates concerning a possible diversion of funds to the contras. You were, as you have testified, one of those participating in the development of the testimony.

Can you recall any time during this week that you suggested this ought to be made part of the statement? If so, please explain what took place. If not, please explain why you yourself did not suggest that it should be.

Two people at the meeting that occurred at CIA on the afternoon preceding the testimony (Doherty and Clair George) have recalled that Gates raised the speculation about money going to the contras with Casey, and he said he did not know anything about that. According to your testimony, you were at this meeting. Do you have any recollection of this issue being raised by Gates or anyone else?

Gates has testified that basically all you had was speculation, not enough to justify putting into the Director's statement. This suggests that, indeed, the matter was actually considered and rejected. Is this the case, or do you read Gates' statement as evaluation based on hindsight? Did anyone, to your knowledge, ever contemplate the problem?

## ANSWER:

During the week of 17 November 1986, I and other senior Agency officials were struggling to pull together the facts about the Agency's involvement in the White House-directed Iranian initiative. No one officer had all of the details; few records had been kept. We were attempting to pull together rapidly as much information as possible. We were also constantly reminded by Lt. Col. North that the initiative to free the American hostages was continuing and that every effort must be taken to avoid actions that could bring it to an untimely end--with loss of the lives of the hostages and possibly the Iranians with whom we were in contact. These admonitions were a strong and constant constraint as we prepared Mr. Casey's testimony.

I hesitated to raise my views on the likely diversion of proceeds from the Iranian initiative to support the Contras in Central America during the week of 17 November, although I thought of raising the matter on the afternoon of 20 November 1986 when we were meeting in the DCI conference room with Mr. Casey. I felt inhibited in raising the issue before a large number of officials--some of whom had just learned of the

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effort--and I was uncertain how strongly to characterize my concerns. Both Mr. Gates and Mr. Casey had heard my opinion; they had my memorandum of 14 October 1986 and were aware of my meetings with Mr. Furmark on 16 and 22 October and 6 November and the subsequent memoranda prepared as a result of those meetings.

I do not recall hearing Mr. Gates raising the issue of money possibly going to the Contras with Mr. Casey on the afternoon preceding the testimony. Mr. Gates, however, could have done so without my knowledge. I do not recall anyone raising the question of diversion of proceeds from the Iranian arms sales to the Contras at any time during the preparation of the testimony.

Even though the issue of diversion of profits made from the arms sales to Iran was not included in Mr. Casey's testimony, I did not consider the issue closed. Sufficient data had been accumulated, especially after my meetings with Mr. Furmark to suggest that there were serious flaws in the initiative and that questions of propriety were involved. Mr. Casey, moreover, had vouched for Mr. Furmark's character.

I do not believe Mr. Gates had rejected my views at all. To the contrary, I believe he thought the matter should be pursued and the questions about any improprieties resolved. Mr. Casey, moreover, had strongly encouraged me to pursue the matter with Mr. Furmark. Even though a small number of CIA officers were privy to my memoranda on the problems with the initiative and the possible diversion of the profits from the arms sales to Iran to the Contras, I know of no one other than Mr. Casey and Mr. Gates who wanted the question pursued. Both, to their credit, encouraged me to pursue the matter.

#### 14. QUESTION:

There were a great many significant details if the Iran arms sales omitted from Casey's statement which were clearly known to you at the time: the involvement of North and Poindexter, the involvement of Secord and Hakim, the use of Ghorbanifar, the overpricing of arms, the troubles with the investors once the second channel was approved, etc. Gates has testified in essence that this was just a matter of judgment of the people actually writing the testimony. You were one of those people.

How do you explain the omission of so many significant aspects?

#### ANSWER:

In retrospect and in light of the Congressional hearings on the Iran-Contra Affair, it would appear that a number of significant facts were omitted from Mr. Casey's testimony. Most of the details cited in this question were items raised by me--either as a result of my analysis of the intelligence collected

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on the initiative or as a consequence of conversations with Mr. Furmark, Mr. Ghorbanifar, and Mr. Nir. A small number of senior officials in addition to Mr. Casey and Mr. Gates knew of my opinion and the information obtained from Mr. Furmark. The data in some respects were vague and incomplete. Neither Vice Admiral Poindexter nor Lt. Col. North had encouraged pursuit of these matters; in fact, Lt. Col. North tried to impune the character of Mr. Furmark. The NSC-directed initiative, moreover, up until the matter surface in the press was known to only an extremely small number of individuals in the government. Most of these officials knew only limited aspects of the initiative. Only Lt. Col. North knew the entire story. Thus, when it came to the preparation of Mr. Casey's testimony, we attempted to present the principal aspects of the Agency's support prior to and after the Presidential Finding of 17 January 1987. There were a number of details that could and should have been added to the testimony. But compartmentation of the initiative, Lt. Col. North's admonition that the initiative was continuing and that lives were at stake, and the rush to try to get a basic story together resulted in flawed testimony. In the luxury of hindsight, it is easy to cast stones at Mr. Casey's testimony. But in the confusion of time, I believe Agency officials tried to present generally what was known at the time. Clearly, we failed in this effort and should have done much better.

## 15. QUESTION:

Do you know of any information whatsoever to suggest that at the time the testimony was being prepared either Gates or Casey were deliberately withholding information relating to the Iran arms sales?

## ANSWER:

I have no knowledge whatsoever and no indication that either Mr. Casey or Mr. Gates were at the time deliberately withholding information relating to the Iran arms sales. To the contrary, I believe that both were troubled by White House initiative and by the fact that the Agency was in a support role and uninformed about some aspects of the operation. I believe both sincerely attempted to prepare a factually correct statement for the Director to give to the Congress. They both recognized, however, that the statement was not the final word and that more information would become available as Agency officers continued their efforts to assemble a basic chronology of what had occurred over the past fifteen months.

State of Virginia

County of Fairfax, to-wit;

I certify that the foregoing is a true original of Response to Questions of Senate Select Committee on Intelligence (SSCI) for Charles E. Allen dated 3 July 1991.

My commission expires: 31 July 1991

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*Charles E. Allen*  
NOTARY PUBLIC

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## Responses of

Charles E. Allen

to the Questions of the

Senate Select Committee on Intelligence,

8 July 1991

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1. QUESTION: You have testified that in mid-August, 1986 Mr. Ghorbanifar had an impassioned phone conversation with you in which he described his financial arrangements, including the sum that he had been charged for the HAWK spare parts. Did you feel that Ghorbanifar was being truthful in these statements? If so, on what basis?

ANSWER:

At the time I believed that Mr. Ghorbanifar was generally telling the truth about the cost of the Hawk missile spare parts. Even though he was not noted for his veracity, Mr. Ghorbanifar was very precise in providing details on the costs that he was being charged for the parts by American intermediaries; he was equally precise in providing data on the commission that he was charging the Iranian Government. The data he provided were generally consistent with intelligence information that I was seeing on the financial arrangements involving the shipment of Hawk spare parts. [REDACTED] moreover, in the Iranian Prime Minister's Office had made it clear to Mr. Ghorbanifar that he had a reasonably good understanding of the cost of these spare parts. After years of buying weapon systems abroad, the Iranians knew how to procure arms and what to pay for them. Moreover, [REDACTED] claimed that he had a microfiche containing the specific costs of the individual missile parts, a factor that I found rather convincing. (To prove his point, [REDACTED] later sent the microfiche to Mr. Ghorbanifar, who in turn transmitted it to the US parties involved; it was genuine.)

Mr. Nir, in telephone calls in August 1986, strongly reinforced Mr. Ghorbanifar's statements on the pricing. He stated that he could not understand why the costs were so extraordinarily high. Lt. Col. North's instructions to convey to Mr. Ghorbanifar and Mr. Nir stories that the costs were high because production lines had to be restarted, that spare parts had to be repurchased from countries which had acquired the Hawk air defense system, etc., seemed implausible; these obviously fabricated stories further raised suspicions in my mind that the pricing problem might rest with the US parties involved rather than the Iranian middleman or Iranians in Tehran.

2. QUESTION: Did Aviram Nir back up Mr. Ghorbanifar's statements regarding the amount the latter was being charged by Mr. Secord?

ANSWER:

Mr. Nir backed Mr. Ghorbanifar strongly on the pricing of the Hawk spare parts, initially over the telephone and later directly with me when he was in Washington in early September 1986. Just before he left Washington to return to Israel, he asked to meet with me and went over the pricing impasse in detail. He asserted that Mr. Ghorbanifar had not made any "real profits" and that the latter was under pressure from Tehran to explain the high cost of

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the spare parts. Mr. Nir further claimed that the commission charged by Mr. Ghorbanifar was reasonable--certainly no more than 60 percent. He consistently backed Mr. Ghorbanifar's statements on the financing arrangements, which further reinforced growing suspicions on my part that the pricing problem rested primarily with the US side--not with the Iranians.

3. QUESTION: When you briefed Bob Gates on 1 October, 1986 did you explain to him the discrepancy between what the HAWK spare parts cost the US Government and what Mr. Ghorbanifar was charged?

ANSWER:

I briefly discussed the pricing discrepancy and Mr. Ghorbanifar's claims of "a 500-600 percent markup" on the parts by the US intermediaries. I did not go over these data in any detail. But I believe that I conveyed to Mr. Gates the discrepancy, and I believe Mr. Gates understood there was a pricing impasse that could not be readily explained.

4. QUESTION: When you briefed Director Casey on 7 October, 1986, with Bob Gates present, did you explain to him the discrepancy between what the HAWK spare parts cost the US Government and what Mr. Ghorbanifar was charged?

ANSWER:

I also described to Mr. Casey the pricing impasse, the discrepancy between what the Iranians and Mr. Ghorbanifar thought was a reasonable price and what US intermediaries evidently were charging for the parts. I told Mr. Casey that this was one of several factors that had lead me to conclude that profits obtained from the arms sales were going to the Contras, although I lacked direct proof. At this meeting, Mr. Gates shared my concern about a possible diversion and indicated that the issue needed to be pursued. I then agreed--at Mr. Casey's request--to put my concerns in writing.

5. QUESTION: You have testified that on 7 September 1986, Lt. Col. North spoke to you of the possible need to use his "reserve" to bail Mr. Ghorbanifar out of his financial difficulties. Did you include that reference in either your 1 October briefing of Mr. Gates or your 7 October briefing of Mr. Casey?

ANSWER:

I recall mentioning orally to both Mr. Casey and Mr. Gates the comment of Lt. Col. North that he might have to use "the reserve" in order to placate Mr. Ghorbanifar. I believe I mentioned Lt. Col. North's statement at both the 1 October and 7 October meetings.

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6. QUESTION: Mr. Gates has testified that he viewed your concerns over a possible diversion of Iran arms sales proceeds as based on "speculation." Did you view it in this way, or as something with more solid grounding?

ANSWER:

I believed by mid-August 1986 that proceeds from the Iranian arms sales probably were going to the Contras. I lacked solid evidence--the kind of evidence one would wish to have before directly confronting White House officials. I had formed an analytic judgment--based on a number of indicators--that a diversion was occurring. The indicators were:

- The pricing impasse that had suddenly developed in July 1986 and intelligence indicating that Iranian officials in Tehran were complaining that the costs being asked by Mr. Ghorbanifar were "five to six times" what had been anticipated.
- Intelligence suggesting that Mr. Ghorbanifar was complaining bitterly about the prices charged him by American intermediaries acting at the direction of the White House.
- The impassioned call from Mr. Ghorbanifar in mid-August in which he provided specific cost data that seemed reasonable.
- The calls from and the direct conversation with Mr. Nir which reinforced Mr. Ghorbanifar's claims that he was being greatly overcharged for the spare parts by the American intermediaries.
- The establishment of the second channel to Tehran which was totally controlled by Mr. Hakim and Major General Secord, both of whom were known to be deeply involved in "private support" to the Contras in Central America.
- Lt. Col. North's reference on 9 September 1986 following Vice Admiral Poindexter's formal approval of establishment of the second channel that he would take funds (up to \$4 M) from "the reserve" if necessary to placate Mr. Ghorbanifar. The reference to such a large reserve suggested that a substantial profit had been accrued as a consequence of the arms sales to Iran.
- The conversations with Mr. Furmark of 16 and 22 October and 6 November in which allegations were made of a diversion of proceeds from the arms sales to the Contras.

I believed, in the aggregate, there were reasonable grounds to make an analytic judgment that a diversion of funds had occurred. I take no offense in Mr. Gates calling this "speculation" because

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I did not have the kind of evidence to take to court, and I believe he was correct in taking a reserved position on the basis of what I presented. I had some evidence of a diversion and leads that needed to be pursued; both Mr. Casey and Mr. Gates encouraged me to pursue them.

7. Question: When you briefed Mr. Gates on 1 October 1986, and Director Casey and Mr. Gates on 7 October, did either of these officials direct you to try to find out more facts? Or was the direction to brief the Director, and then to prepare a written memo, all that you received?

Answer:

Mr. Gates on 1 October asked that I brief the Director immediately; he also directed that I try to obtain more facts. Mr. Casey on 7 October asked that I put my concerns in writing. Both Mr. Casey and Mr. Gates requested that I continue to pursue the matter and keep them informed. Mr. Casey directed that I meet with Mr. Furmark on 16 October, which I did. I told Mr. Casey that I needed more time to talk in-depth with Mr. Furmark; Mr. Casey asked that I go to New York to accomplish this. My meeting with Mr. Furmark on 6 November was at his (Mr. Furmark's) request. Following the three meetings with Mr. Furmark, I received no further guidance that I can recall from either Mr. Gates or Mr. Casey.

8. Question: How frequently did you brief Mr. Gates on the progress and problems of the Iran arms sales program? How frequently did you brief Mr. Kerr?

Answer:

After Mr. Gates became aware of the White House-directed Iranian initiative (at the end of 1985 or early 1986), I periodically briefed him on the progress of the effort. At this time, he was Deputy Director of Intelligence and Chairman of the National Intelligence Council. I continued to brief him on the project when he became Deputy Director of Central Intelligence in the spring of 1986. These briefings were infrequent; I do not have a precise number. I also briefed Mr. Kerr--again infrequently--although he was greatly interested in the McFarlane-led trip to Tehran in May 1986 and asked to be briefed a number of times as this operation was being planned and executed.

Once problems with the arms sales surfaced in the summer of 1986, I briefed Mr. Gates and Mr. Kerr a few times, not only on the pricing problem, but also on the White House's success in obtaining the release of American hostage David Jacobsen in October 1986. I cannot recall the number of times I briefed them, but the meetings numbered only a handful at most.

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STATE OF VIRGINIA  
COUNTY OF FAIRFAX, to-wit:

I certify that this a true original of Responses to the Questions of  
the Senate Select Committee on Intelligence dated 8 July 1991 by Charles E.  
Allen.

My commission expires: 31 July 1994

*Karla Lynn Lister*  
NOTARY PUBLIC

COMMISSIONER OF VIRGINIA

COUNTY OF FAIRFAX

Witnessed and sworn to before me this 11th day of  
July 1991.

My Commission Expires:

**UNCLASSIFIED**

**UNCLASSIFIED**

Attached herewith are my responses to SSCI questions  
notarized at the request of the SSCI.

5 June 1991  
Date

Richard J. Kerr  
Richard J. Kerr

COMMONWEALTH OF VIRGINIA )  
 ) ss.  
COUNTY OF FAIRFAX )

Subscribed and sworn to before me this fifth day of  
July 1991.

Richard J. Kerr  
Notary Public

My commission expires:

31 July 1991

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**UNCLASSIFIED**

ER 91-2226

DDCI'S RESPONSES TO SSCI QUESTIONSQUESTION:

1. Charles Allen has testified that sometime in August, 1986, he discussed with you his concerns regarding the Iran operation, including his fears that funds may have been used to fund the contras. What specifically do you recall in terms of what he told you?

ANSWER:

In late summer of 1986 Charles Allen came to me and said U.S. arms were being sold to Iran. He described this activity in general terms and indicated that there was reason to believe that these weapons were being sold at inflated prices. At the end of the discussion, Mr. Allen speculated that the extra money might be going to the Contras. He offered no evidence for this, merely giving it as personal speculation.

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QUESTION:

2. What did you do with respect to the information he provided you? Did you request any additional briefings or information from Mr. Allen or others with regard to the concerns or issues raised by Mr. Allen subsequent to the meeting with Mr. Allen in August of 1986?
3. You previously testified that you had discussed Allen's concerns with Robert M. Gates. When did this occur? What do you recall telling him? What do you recall he did with this information?

ANSWER

Although we had seen no evidence to support Allen's speculation that money from the Iran arms sales was being used to support the Contras, I thought the issue should be mentioned to the DDCI (Robert Gates). I also suggested to Mr. Allen that he keep Mr. Gates informed. I subsequently went to the DDCI and mentioned Mr. Allen's speculation about the use of money from the arms sales to fund the Contras. I believe that my conversation with Mr. Gates was either the same day as my conversation with Mr. Allen or the following day. It is also useful to note that I regularly had conversations with the DDCI and that I believe other subjects were discussed with the DDCI at this same session. Also, this was not a formal appointment with a formal subject specified; I merely walked into his office and mentioned this to him together with some other items. I have no information on what Mr. Gates "did with this information." I believe I talked to Mr. Allen again regarding Ghorbanifar and the arms, but the subject of overcharging and the use of "extra" funds was not further discussed.

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QUESTION:

4. Do you recall discussing this subsequently at any time with Mr. Gates prior to November 25, 1986? If so, please explain.

ANSWER

No. This subject was not discussed again with Mr. Gates.

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QUESTION:

5. Subsequent to your meeting with Mr. Allen in August, did any additional information come to your attention regarding a possible diversion of funds from the Iran operation prior to November 25, 1986? If so, please explain.

ANSWER:

I received no further information from Mr. Allen or other sources regarding the diversion of funds prior to November 25.

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Central Intelligence Agency



Washington, D.C. 20505

5 July 1991

To Whom It May Concern:

Attached herewith are my responses to SSCI questions,  
 notarized at the request of the SSCI.

*John L. Helgersen*  
 John L. Helgersen  
 Deputy Director for Intelligence

5 July '91  
 5 July 1991

Attachment

COMMONWEALTH OF VIRGINIA )  
 ) ss.  
 COUNTY OF FAIRFAX )

Subscribed and sworn to before me this fifth day of  
 July 1991.

My commission expires:

*Rafael A. J. J. J.*  
 Notary Public  
31 July 1995

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**UNCLASSIFIED****Answers to SSCI Questions  
for Mr. John L. Helgerson****QUESTION:**

In response to a question posed to Mr. Allen, he advised the Committee that you were present during his meeting with Mr. Kerr in late August, 1986, when Allen raised his concerns with Kerr with respect to the Iran operation, to include the possibility that money may have been used to support the contras.

What do you recall about this discussion?

**ANSWER:**

I was present on one occasion in Mr. Kerr's office when Mr. Allen discussed Iran with Mr. Kerr. I cannot confirm the date of the meeting. I remember Mr. Allen saying that he had reason to suspect funds from Iran may have been diverted to the contras. My recollection is that Mr. Allen indicated that the NSC Staff was somehow involved in the suspected diversion.

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**UNCLASSIFIED****QUESTION:**

What actions, if any, did you take as a result of this discussion?

**ANSWER:**

After Mr. Allen had departed, I told Mr. Kerr something to the effect that this diversion, if in fact it was taking place, was the dumbest thing I had ever heard of. I said that we should be sure Mr. Casey was aware of this. Mr. Kerr agreed on both counts.

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**QUESTION:**

What actions, if any, do you recall Mr. Kerr taking as a result of this meeting? Specifically, were you aware that he had raised this matter with Mr. Gates?

**ANSWER:**

Several days after the meeting with Mr. Kerr and Mr. Allen, I asked Mr. Kerr if he had raised the subject of the possible diversion with Mr. Casey. Mr. Kerr said that he had not, but that he had mentioned it to Mr. Gates.

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## QUESTION:

Prior to November 25, 1986, did you receive additional information concerning a possible diversion of funds from the Iran arms sales to the contras? If so, please explain.

## ANSWER:

No, I did not receive additional information prior to November 25, 1986.

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Answers to Questions for Mr. Twetten

1. A CIA MFR dated 3 October 1986 and initialed by Robert M. Gates reflects that Gates met with Admiral Poindexter on 2 October, the day after Charles Allen had advised Gates of his concerns regarding the Iran operation. It states: "There was discussion of a special Iranian project. Have Tom Twetten and Charlie Allen call me."

a. Did you call Gates? If so, what was discussed?

Answer: I do not believe I called Gates. I have no recollection of a phone call to or from Gates.

b. What had prompted Gates to ask you and Allen to call him?

Answer: I do not know.

2. You have testified that you saw a copy of an Allen memo on problems with the Iran initiative before you left on a trip abroad with Gates on 16 October 1986.

a. Was it the 14 October Allen memo (See Iran-Contra deposition, Vol. 1, Allen exhibit 76)?

Answer: I have testified previously that I saw several different Allen memos. After reviewing this matter further, I now believe the memo I examined before my trip had to have been the 14 October memo.

b. How did you come to see a copy of Allen's memo?

Answer: I think either George Cave or Fred Lundahl gave it to me.

c. Before 25 November, do you recall any conversation with Allen about the possible diversion or any of the other matters that Allen discussed in his 14 October memo? If so, what was discussed?

Answer: A review of my previous testimony indicates I talked with Allen about one of his memos, and I believe that it was the 7 November memo. I do not remember anything about the conversation other than what is in my testimony.

d. Before 25 November, do you recall any conversation with George Cave about the possible diversion or any of the other matters that Allen discussed in his 14 October memo? In particular, Cave testified that a meeting that he and Allen had

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with businessman Roy Furmark on 22 October convinced him that there must have been a diversion. (IC Dep., Vol. 3, pp. 936-939) Did Cave discuss that meeting or his views on the diversion with you before 25 November? If so, what was discussed?

Answer: Yes, I'm sure Cave and I discussed the contents of the 14 October memo. I do not recall any of that conversation. I am also reasonably confident that Cave and I also discussed his views on the possible diversion before 25 November, but I am no longer capable of any precision on the substance or date of the conversation.

e. Do you recall discussing these matters with Gates on your trip abroad? If so, what was discussed?

Answer: Yes, but I do not recall the specifics of the conversation.

3. You have testified that some time after returning from your trip abroad with Mr. Gates on 30 October and before a 13 November meeting you had with North, Director Casey gave you a copy of a memo Allen had written on his meeting with Furmark and the diversion. You said you considered it "dynamite."

a. Was it the 7 November memo on Allen's meeting with Furmark on 6 November (IC Dep., Vol.1, Allen exhibit 84)?

Answer: Yes.

b. If not, was it the undated memo from Casey to Poindexter based on the 22 October meeting (IC Dep., Vol. 1, Allen exhibit 82)?

Answer: No.

4. You have testified that you discussed this memo with Casey and with Clair George's assistant, Jeff O'Connell. You stated, "It would be very unusual if the Director would not consult with and share that with Mr. Gates, his deputy."

a. Do you know whether Clair George ever received this memo or learned of its contents before 25 November?

Answer: I assume you are referring to the 7 November memo that I received from Casey. I have previously testified that I gave the memo to Jeff O'Connell to give to Clair George. I do not recall confirming whether Mr. George ever received this memo.

b. Do you know whether Gates ever received this memo or learned of its contents before 25 November?

Answer: I do not know whether Gates ever received this memo.

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5. General Counsel Doherty has testified that, in early November, 1986, some time after November 6 when CIA had finally obtained a copy of the January 17, 1986 Finding, Doherty met in Gates' office with Gates, Clair George, and you to discuss the Agency's involvement in the Iran operation.

a. What was the purpose of this meeting?

Answer: I cannot recall this meeting.

b. What do you recall about the discussion at that meeting? In particular, do you recall whether the speculation concerning a possible diversion was discussed? Were any of the Allen memos recounting his meetings with Furmark, or any of its contents, discussed at this meeting?

Answer: See answer above.

c. In particular, Allen's 7 November 1986 memo reported Furmark's discussion of details of the diversion. Furmark explained that certain "Canadian investors" intended to sue "Khashoggi and the offshore company Lakeside, the firm into which they paid the \$11 million to cover the cost of Hawk missile parts," and that "they intended to implicate in the litigation directly senior levels of the US Government." (IC Dep., Vol. 1, Allen Exhibit 84) Do you recall whether there was any discussion at the meeting with Gates and Doherty whether "senior levels of the US Government" might be implicated in a possible lawsuit?

Answer: See answer above.

6. When you testified to the SSCI preliminary inquiry in December 1986, you were informed that Director Casey's testimony of 21 November did not contain any reference to the contra allegation from the Furmark memo. You responded, "I'm surprised it wasn't there." Why were you surprised that Casey's testimony did not refer to the Contra allegation from the Furmark memo? Had there been a reference to it in earlier drafts? Did you have some reason to believe that the statement would contain such a reference?

Answer: The Furmark memo was an important revelation, which I believed to be key to our understanding of the diversion. I don't remember my reaction to the diversion not being in the draft testimony, and still remain surprised that it wasn't. I know of no reference to it in the earlier draft.

7. Director Casey's testimony of November 21, 1986 also failed to mention the "mini-Finding" of December 5, 1985, which retroactively authorized CIA's assistance to the November, 1985 shipment of HAWK missiles.

a. Do you recall any discussion in the course of the

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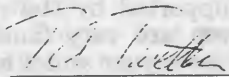
preparation of Director Casey's testimony about whether to include mention of the December 5, 1985 Finding? If so, please explain.

Answer: No. I do not recall any discussion about whether to include mention of the December 5, 1985 Finding.

b. The existence of this finding was known to several persons at CIA involved in the preparation of the testimony but nevertheless was not included in the Casey statement. Can you shed any light on why this information was not mentioned in the Casey statement?

Answer: I did not know of the "mini-Finding" at the time. I cannot shed any light on the lack of mention of it in Casey's statement.

I declare under penalty of perjury that the foregoing answers are true and correct.



Thomas A. Twetten

Dated: \_\_\_\_\_

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Chairman BOREN. Senator Rudman.

Senator RUDMAN. Mr. Chairman, in the interest of full disclosure, I wanted to point out to the Committee, to those who didn't know it, that Thomas Polgar, Jr., is one of the most valued members of my staff, and has been with me since I got here, and is my Legislative Director. It is through him that I realized what a valuable resource the Committee could have in Thomas Polgar, Sr., and it was at my instigation that Arthur Liman interviewed Mr. Polgar. He made an invaluable contribution to our Iran-Contra Committee. So I have enormous respect for him.

Today, of course, I stand in disagreement with him and we've talked about it. I am not going to ask him any probing questions because, frankly, it's difficult. We have a very strong relationship, and I have great respect for him.

But I want to just go to one part of what you said today which struck me.

You said in response to a question that Senator Cohen placed before you that what you were testifying to as to factual matters were supported by the record. And I would agree with that, because you are very familiar with the record as one who worked with it for a year and a half.

You also said that, like in all things, there are witnesses who would look at the same facts, expert witnesses, and draw different conclusions.

Mr. POLGAR. Yes, sir. I said that.

Senator RUDMAN. Would you agree with me that in looking at these same facts, a reasonable person could draw a conclusion quite different from yours; that is, reach a conclusion that Mr. Gates was guilty of some nonfeasance, but, on whole, had a record for which he was qualified, looking at the same facts?

Mr. POLGAR. Well, sir. The expert witnesses on opposing sides don't necessarily respect each other's opinions.

[General laughter.]

Senator RUDMAN. You didn't answer my question, Mr. Polgar. Would you give me at least that, Mr. Polgar?

Mr. POLGAR. I mean, you are certainly right in what you are saying. Of course.

Senator RUDMAN. Because you are presenting strong opinions based on facts, not based on first-hand knowledge, but based on analysis, as you can best do it.

Mr. POLGAR. That is correct, like—yes, sir.

Senator RUDMAN. Thank you very, very much.

Chairman BOREN. Senator Hollings.

Senator HOLLINGS. Right quickly, Mr. Polgar, you've got to be a fine man. I worked with your son, Tom, and Senator Rudman on Gramm-Rudman-Hollings. He's an outstanding public servant. I, too, of course, investigated the CIA back in 1954 and 1955, with Allen Dulles, and General Cabell and Bob Amory and Dick Helms were my seeing eye dogs as we worked through it. But, in essence, you're not a witness. You're not testifying to anything in your direct knowledge. You'd be an analyzer.

I'd just as soon take the stand and from my experience in reading and having been on this Committee and hearing it, and watching the Iran-Contra, and being in the debate, and now having to

listen to it, you know, ad nauseam, I'd be just like you, an opinion person, because I don't know anything of my own.

You have no direct knowledge on anything about Bob Gates, as you've testified to.

Mr. POLGAR. That is right.

Senator HOLLINGS. You've only made opinions from the analysis.

Mr. POLGAR. That is right, Senator Hollings. And I'd like to point out that I didn't volunteer or offer myself as a witness. I am here because the Committee called me.

Senator HOLLINGS. I see. Well, I understand.

Thank you very much.

Senator MURKOWSKI. May I ask for the record, Mr. Chairman, who called him, if I may?

Chairman BOREN. The Chair requested, through the staff, that Mr. Polgar testify. We had received requests from several Committee Members that Mr. Polgar testify, and the Chair extended that invitation.

Senator MURKOWSKI. Thank you.

Senator METZENBAUM. What time do we start?

Chairman BOREN. Let me say again, Mr. Polgar, that we thank you. We have not always had an opportunity to express appreciation to those in the intelligence community who have made a great contribution to their country. But allow us to do that to you publicly tonight, to thank you for your service to your country, and, in thanking you, in that way to thank others who have served with you as your colleagues in the Agency during this period of time.

Mr. POLGAR. Thank you very much, Mr. Chairman.

Chairman BOREN. We will begin in the morning at 9:30, by mutual agreement and request from various Members. We will complete by 12 o'clock tomorrow. It's my intention that we would have probably only one witness tomorrow, and that would be Mr. Inman. And then we will resume the following Tuesday morning at 9 o'clock with Mr. Allen and Mr. Kerr.

We stand in recess.

[Thereupon, at 9:34 p.m., the Committee stood in recess.]



## NOMINATION OF ROBERT M. GATES TO BE DIRECTOR OF CENTRAL INTELLIGENCE

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FRIDAY, SEPTEMBER 20, 1991

U.S. SENATE,  
SELECT COMMITTEE ON INTELLIGENCE,  
Washington, DC.

The Select Committee met, pursuant to notice, at 9:45 a.m., in room SH-216, Hart Senate Office Building, the Honorable David L. Boren Chairman of the Committee presiding.

Present: Senators Boren, Nunn, Bradley, Cranston, DeConcini, Metzenbaum, Glenn, Murkowski, Warner, Danforth, Rudman, Gorton, Chafee and Cohen.

Also Present: George Tenet, Staff Director; John Moseman, Minority Staff Director; Britt Snider, Chief Counsel; and Kathleen McGhee, Chief Clerk.

Chairman BOREN. We will come to order. I appreciate our witness altering his schedule because he was due to testify last night, but he had to stay over and be with us this morning. Admiral Inman will be our only witness today, and we will recess by approximately noon. Then we will begin next Tuesday morning at 9:30 with Mr. Allen and with Mr. Kerr in open session. The closed meetings will then be held on Wednesday. These are the classified matters I have been mentioning, some of which we have touched on in an introductory way in the open session. We'll follow up very thoroughly in our closed sessions. We may also have the nominee back at the end of that process in closed session on Wednesday. I am hopeful that we would have the nominee back as our final witness in open session next Thursday. So that at least is the tentative schedule.

Our next witness hardly needs an introduction to this Committee. Admiral Bobby Inman can certainly be called a senior statesman of the Intelligence Community. Formerly the Director of Naval Intelligence and Director of the National Security Agency, Admiral Inman also served as Mr. Casey's Deputy during the first two years of Casey's tenure as DCI. It was principally Admiral Inman who first showed that the Congressional oversight process could work, who sought to make the fledgling Committees partners rather than adversaries, and the Intelligence Committees of the Congress will be forever in his debt for his leadership in that early and formulative period of the oversight process.

Although he retired from active service in 1982, he's hardly been removed from the scene. He has continued to remain deeply involved in intelligence. And this Committee has called upon him re-

peatedly for advice as have successive Presidents of the United States. Currently, Admiral Inman is taking a leading role as a member of the President's Foreign Intelligence Advisory Board. When Admiral Inman was Mr. Casey's Deputy, Mr. Gates was brought in to head the executive staff which served both Casey and Admiral Inman. So he is in a position, because of his knowledge and familiarity with both Mr. Casey and Mr. Gates, to provide an assessment of the nominees fitness for the position to which he's been nominated.

Admiral Inman, we welcome you once again. It is customary during a confirmation proceeding that we swear all witnesses so I would ask that you stand and be sworn at this time.

Do you, Bobby R. Inman, solemnly swear that the testimony you are about to give is the truth, the whole truth and nothing but the truth so help you God?

Admiral INMAN. I do.

Chairman BOREN. Thank you very much. Again, I welcome you, and we would be happy to receive any opening remarks that you would like to make at this time.

#### TESTIMONY OF ADM. BOBBY R. INMAN, USN [RET.]

Admiral INMAN. Thank you, Mr. Chairman. As I have done in my various appearances since I retired, I do not have a formal witness statement to submit, but with your permission I will make some informal remarks.

Chairman BOREN. That would be fine.

Admiral INMAN. Let me first deal briefly with my own personal background experience because it's pertinent to actions which took place. I had the incredible good fortune of being selected for a first star at twenty-two years of government service, and assigned directly as the Director of Naval Intelligence. A major factor of that was support from both Secretaries of the Navy and Undersecretaries and service chiefs. There were those who looked on it as fast tracking a favorite son, but it was a process that gave me the opportunity to perform in senior management jobs. I would be candid to say I would not be interested in great public scrutiny of how well I managed those first two years as Director of Naval Intelligence—particularly on the human relations side—because I had to learn on the job managing a lot of people and it was not a job that I'd had before.

Those two years were the years of the Church and Pike Committee. And out of that I saw the damage that had been done to the Intelligence Community and the critical need to try to provide some mechanism that would be a successful surrogate to the fourth estate's normal coverage of government activity. I remain unrepentant about my view that the Select Committees were the answer, and that you had to work closely with them in that process.

There were a number of times over the eight and a half years that followed when I had concerns about leaks, of misuse of information, and I had no concern about coming to the Chairman and the Vice Chairman of Committees on both Committees, and I always got response when there were problems. So I believe that



even though it's had its fits and starts, and I would note that the Executive branch, whichever party is in power, tends to be uncomfortable with the relationships which develop—information is power.

But I think one of the critical issues for me as you consider the nominee is what is the likely relationship that he will produce with the Committee if he is confirmed as the DCI. That is pertinent to issues of what did he know, when did he know, did he ask. I think there's a much more pertinent response where he did have responsibility. And that's the five and a half months that Mr. Gates was the Acting DCI. I have no direct knowledge of that period. But I would note, Mr. Chairman, that you and Senator Cohen, who was then the Vice Chairman, and in the House, Congressman Stokes and Congressman Hyde, have firsthand knowledge of how he conducted himself as the Acting DCI. I would hope, ultimately, that gets cranked into the discussion on whether one can expect going forward sustaining the oversight process in a way that gives all of us comfort that we are not likely to see repetitions of events like Iran-Contra.

Out of that time with the Church and Pike Committee, I got promoted from one star to three stars in 1976. It was essentially a political selection, one in which the Secretary and Deputy Secretary of Defense played key roles. There were those again in the service, and some of my peers who again raised questions about political appointments. My response back is, in most senior management jobs in the Executive branch the opportunity to perform usually comes from having been spotted, assessed, as someone who has competence. I dwell on this because I was not a candidate to be the Deputy Director of Central Intelligence. That's reasonably well on the record. President Reagan is my source of detailed knowledge of what went on in the period of time before I became the nominee. He had committed to Mr. Casey, when Mr. Casey joined the campaign, that if they were successful he could be the DCI, or as Mr. Reagan, as President Reagan told me, he said, if I can't be the Secretary of State, I'd like to be the DCI. And the night after the election, he asked him are you ready to take the job as DCI. And his response was, well, if I can't be Secretary of State, that's what I want to do.

But Senator Goldwater—and speaking for other Members then serving on the Select Committee had made a strong push to President Reagan that he should select some guy named Inman to be the DCI. The President told him he'd already made a commitment so they came up with the idea of putting together a team. When I was approached, I declined. I had planned to retire in the Summer of '81 when I finished my thirty years of service. The Secretary of Defense had offered me a senior position in the Department of Defense, in a retired status, which I had also declined. The day after the election the President called and went through all of this routine and then said now, "Admiral, speaking as your Commander-in-Chief, I need you and I want you to take the job," and thus I became the nominee which this Committee graciously confirmed.

As I moved through those jobs, I became increasingly sensitive to a responsibility. I couldn't do anything for those people who had accelerated my own career and given me opportunities. But I

became persuaded that there was a major responsibility to try to spot talent and move it along fast to provide leadership for the Intelligence Community. I take some pride in looking at the leadership now of the Intelligence Community for the opportunity I had in advancing the careers of a great many of those who are now the heads of agencies or hopefully, soon after confirmation will be.

When I came to CIA for the first day, at the end of January '81 and looked at the chaos in the offices—Frank Carlucci had already gone to Defense to be the Deputy Secretary—I decided that we needed someone very bright, knowledgeable and capable to come and organize the two offices and to get them to work together coherently. That was even more compounded by Mr. Casey, having told me very directly that he did not want to be the traditional DCI. He wasn't going to be Mr. Outside. He didn't want to do the budgets, didn't want to do the hearings with the Hill, didn't want to do the bulk of the Community relationships. He did want to be the President's Intelligence Officer, and he was going to run the clandestine service of the CIA. He thought that he probably would also end up running the Directorate of Intelligence as well. Hadn't quite made up his mind. That he did not intend to—he wasn't that interested in Administration or Science and Technology so those would be the role of the Deputy—and dealing with all of the outside activities—all of the responsibilities for resource allocation, and all of those of dealing with the Hill except for covert operations, which he would keep and deal with himself.

That made me even more sensitive to trying to have some coordinated look at both offices. I wasn't sure, since I had been imposed on him as a Deputy that my direct recommendation would carry weight, so I went to John Bross, who was running the transition effort, (a wonderful career servant at CIA who also had worked with Director Casey in OSS days) and persuaded John that we ought to pull Bob Gates up to run the office. Gates had just finally gone back to the analytical job that he wanted. And Mr. Casey had never met him. Now, it turned out that he had actually been exposed to him; Gates had been part of a briefing team during the transition, but it hadn't registered. So I can, with great confidence, tell you for a lot of press speculation of things about involvement in October Surprise, et al., Mr. Casey didn't even know who Bob Gates was in that time frame.

Chairman BOREN. Now, refresh my memory about Mr. Gates prior to coming back to the analytical job you said he wanted. I assume that would have been in Soviet affairs?

Admiral INMAN. He had been in Soviet affairs repeatedly through his career but as I know you know from having looked at it, he had been pulled out of it repeatedly to be used first in staff jobs at the NSC and then at executive assistant responsibilities for Dr. Brzezinski and then for Admiral Turner as the DCI.

Chairman BOREN. So he had been over at the Carter White House with Dr. Brzezinski and then pulled back——

Admiral INMAN. He came back to be an analyst and barely got back into the job when Admiral Turner pulled him up to be his Executive Assistant.

He came in and did a terrific job of helping get control of paperwork and paper flow. And that through the years was one of his great strengths.

As we moved on over the year that followed, there was increasing concern about the depth of competence in the Directorate of Intelligence. John McMahon had been moved there from being the Deputy Director of Operations, where he had served for 4 years, probably because Mr. Casey wanted to run that, and John was not one to easily go around in that process. So he moved to the Directorate of Intelligence and John McMahon was given the job of thinking through a reorganization.

When it came time to move from a concept of an organization to execute it, I had a different agenda. I wanted to get John McMahon in the job as Executive Director as a prospective relief to me. I actually served only 18 months, Mr. Chairman, if I may make a modest correction, and that had been my commitment to President Reagan, that I would do 18 months to 2 years. But having in mind keeping it to the 18 months, I wanted to get John in the position to clearly be groomed as my successor.

We then got into a very extensive discussion about who should be the Deputy Director for Intelligence. I had—I even made my pitch that in looking at the career people that I saw inside, Bob Gates was the one individual that I thought had the capacity already demonstrated, to grow to be a professional Director of Central Intelligence. Bill Casey and I had a lot of dialogue about the desirability, ultimately if one could do it, of having a professional again as the DCI. And he did that partly because he had great respect for Dick Helms and remembered his time in the process. And we had looked at all of the intervening period when there had not been a prospect for a career CIA employee to be considered as the Director.

My proposal to accelerate that process was to make Gates the Assistant Deputy Director for Intelligence in the new structure. Even though he had not yet had a management job running any significant operation. We debated a week over prospective candidates to be the DDI——

Senator CHAFEE. When you—Admiral, when you say we debated would that be——

Admiral INMAN. I am sorry, Bill Casey, it was a two-way conversation, nobody else involved.

Senator CHAFEE. You and Bill Casey. Thank you.

Admiral INMAN. And we debated the other prospective candidates. And then he surprised me by coming into my office one morning and saying, "if you really believe Gates is that good and that this is the way to get him to ultimately being ready to be a Director of Central Intelligence, then why not put him in the job now? The top job."

And I bought off, quickly. In retrospect, that was probably not a good service for Bob Gates in that he was thrown into management responsibilities at a senior level, that he had not had. And there was significant on-the-job training in that process. And there were clearly bruised feelings.

There also was a different problem and I had experienced it in my own timeframe. While a great many people applauded the fast

track I had been put on, and some of my peers kindly did, and remain great friends to this day, but there were others who had been peers who found it difficult to accept that there might have been reasons other than political for advancing me faster. And the stories that still abound in this city that I am anti-human intelligence largely come out of that timeframe. Those who were in that field seized on my abolishing Task Force 157, that I was just fundamentally anti-HUMINT. And that criticism stuck.

Senator RUDMAN. Mr. Chairman, may I just interrupt for one moment. I just want to say to Admiral Inman that Senator Gorton and I have a mark-up of the Defense Appropriations Subcommittee—

Admiral INMAN. I apologize.

Senator RUDMAN. And we are going to have to leave, I hope not for very long, because I guess Senator DeConcini—

Chairman BOREN. You will leave and then return?

Senator RUDMAN. And you know it is a small bill of about \$286 billion and we think we ought to probably go over, so I am going to read your testimony, but I hope to come back to talk to you. But I want to apologize to Admiral Inman for getting up and walking out in the middle of his testimony.

Admiral INMAN. I apologize for taking so long in this process, but I think it is really important to get an understanding—

Senator RUDMAN. Believe me, I just feel sorry for having to go down there.

Chairman BOREN. I want you to feel free to take as long as you want to give us the picture you think we should have.

Admiral INMAN. I had heard the criticism frequently, I still hear it, that Gates was promoted because he was protege of Mr. Casey or for political ties or reasons. I say to you with great confidence and comfort under oath that he was put in that job because of a judgment that he was the best prospective candidate to ultimately be a professional Director of Central Intelligence from inside the Agency.

I then departed. I have no direct knowledge of events in the whole Iran-Contra timeframe. I watched it, I have heard lots of anecdotes, but I have no direct information to provide you on any of that.

I did remain in dialogue on limited occasions with four senior people at CIA in the intervening years and I remained in fairly frequent communication with a number of youngsters whom I got acquainted with who would call me and ask for career advice or tell me their troubles. So I have some firsthand views from the bottom side of what the organization looks like over the years.

On the top side, I talk to John McMahon occasionally about events that transpired in my time. I talk to Bob Gates reasonably frequently, offering advice, sometimes solicited, sometimes volunteered. I talked with Doug George, who had been my executive assistant, a wonderfully talented guy that we lost to liver cancer two weeks ago. And I talked on rare occasion, at his initiative, to Clair George. So I have some limited perspectives of views in the time from those people but I have no other direct knowledge of events.

May I shift quickly, and I will try to be faster, to a topic—compartmentation. And I take your time on that because as I have

talked to my many friends in the news media, I find this is a problem that I have had the most difficulty getting them to understand. And so I dwell on it for a while here.

One of the first things a professional intelligence officer learns is that sensitive sources and methods cause material to be compartmented. In more recent years, worry about political leaks also cause material to be compartmented. But in my early years, my only exposure to it was to protect something where the method was considered, or the source was considered so sensitive.

And one of the things that is drilled into you is you don't ask what is going on in an area that you are not cleared for. Now, that is not easy. And I was guilty frequently of curiosity, of recognizing there were things going on that I wasn't exposed to. I didn't get into the overhead imagery system until quite late, in my view, in the process. And I railed about all that. But it's drilled into you repeatedly that there are very valid reasons. And those reasons essentially are protection against counterintelligence. That is a whole area that this Committee has worked on that we do not do well in this country.

But the professionals have always recognized that compartmenting was the best defense you had and to protect it. So it is that knowledge of compartmentation and the respect for it that has caused me to believe it is entirely feasible that there are areas that, yes, even the Deputy Director is excluded from.

There were areas when I was the Deputy Director. Those may have been motivated for different reasons. Concern about the extent of my dialogue with the Hill was most frequently raised. But it is something that has to be taken into consideration when you evaluate how a professional responds to the environment he is in and how much he pursues or queries things if that individual is or is not involved.

I could regale you with tales of Mr. Casey's management style for a long time. You have already had some of that. If in the question time we may well come back to it. It was truly unique.

One thought that I have to share with—a memory that will long stay with me, is of Clair George as the Assistant Deputy Director for Operations coming in to visit with me. I didn't have all that many visits from the DDO. And Clair's plea was would I go to Bill Casey and try to persuade Casey to instruct the regional directors and others who were constantly in his office to de-brief the DDO and his Deputy of what took place, because they were repeatedly not knowledgeable. And an old tradition that once you had the ear of the DCI, there wasn't any point in talking to anybody else.

That was the fast track to prospectively being the next DCI, so what Clair was pleading for was what I tried to make the case, why there was a need to insist that the DDO and his Deputy be kept in the loop. I made the case without much sympathy from Mr. Casey. But there was a style of operation.

Now, in dealing with me, I accept that Mr. Casey may well have been motivated by the image of a shotgun wedding dealing with the Deputy. But as I have indicated to you, the one place where he did sign on and where I shared views remained the same, was the desirability of grooming and testing and ultimately promoting a professional Director of Central Intelligence.

We will never know what motivated Mr. Casey. But I remain persuaded it is entirely plausible that he made a conscious decision to keep Bob Gates out of areas that he thought might be troublesome to protect him for the prospect of his future progress. As a very conscious decision on his part.

I could talk about politicization of intelligence, but I suspect that may come up in question time. So, to give you maximum time for questions, let me stop at that point in this disjointed series of remarks and turn to the questions the Committee may have for me.

Chairman BOREN. Let me go back, Admiral Inman, to the selection of Mr. Gates. I gather the original bringing in of Mr. Gates was more your recommendation to Mr. Casey than his decision.

Admiral INMAN. It did not play—he did not play a role in the process of deciding. But it was a John Bross, Bob Inman—I made the pitch to John, he did some testing and agreed that it was the ideal solution. He made the case to Mr. Casey and Casey agreed.

But he wanted to interview him first. And that was the first time in his own conscious memory that he ever came to know who Bob Gates was.

Chairman BOREN. One of the things, of course, that we are trying to assess is whether or not, based upon the relationship between Mr. Gates and Mr. Casey, it is believable that Mr. Gates really was never informed by Director Casey about the diversion and the most politically troublesome aspects of what we call the Iran-Contra affair.

And whether or not, given the relationship between Mr. Gates and the Directorate of Operations, it is believable, as he has indicated to us in his testimony, that until Charlie Allen came to him on October the first, he had not been told about the diversion itself. And that he generally was not as well informed about operations matters in retrospect as he should have been.

His arguments are that he came out of the Directorate of Intelligence, there were some rivalries as well at work at the time that he became Deputy, and that he really was not very knowledgeable about what was going on in most sensitive aspects of the Directorate of Operations.

So let me ask your assessment, based upon your experience, of the credibility of those two assertions by Mr. Gates. You've stated just briefly your feeling that it is possible in your mind that Mr. Casey did not tell Mr. Gates, perhaps because of a desire not to have him placed in jeopardy in terms of his future career. Is that your bottom line assessment?

Admiral INMAN. I think it is probable that he did not tell him. Not possible. Probable that he did not tell him.

One of the things that I neglected in the process, Bob Gates was not a passive observer of the performance of the Agency overall. And his approach was to write memoranda, frequently handwritten, and he was very candid in those of his judgment including criticizing other people, senior people as well in the process.

When Bill Casey made the decision to appoint Max Hugel as the Deputy Director for Operations, a number of us had expressed our view that it was a mistake. Gates wrote a memorandum to him—even though he was just executive Staff—that was very explicit indeed of why it would not work. Nobody else ever heard about it.



He didn't go advertising, look I took a separate view, it's not my challenge.

But when it was all over, and when it didn't work, the only passing comment Mr. Casey made to me in the process was Gates memo was right on target in his judgment about why in fact it would not work.

And it was that repeated sound judgment in responding to things that caused Casey increasingly to look to what was his opinion about activities related to organization and performance outside. It did not extend toward discussion of what was going on in the Directorate of Operations. Or how you did that. That was really his province.

There was not a frequent track of people from the DDO to complain to me as the DDCI for assistance, save for Clair's intervention. On an occasional instance when the Director would be out of town, then I would get approached to deal with a problem.

John McMahon was a different entity. John had been the DDO for four years. They all knew him. He had been their cheerleader. They loved him. And they would come to him when they had a problem. So he had a very different avenue to understand there were problems and therefore to go insert himself and get involved.

That did not exist with Bob Gates. and, again, as a non on scene observer but listening to what I had been told, there was a good deal of rivalry, because he was running the parallel Directorate and was frequently critical of actions of the DDO, either in not providing information or how they were embarrassing the Agency.

Chairman. BOREN. You are talking about a rivalry between Mr. Gates and people in the DO?

Admiral INMAN. There is a long running rivalry between the Directorate of Intelligence and the Directorate of Operations. It isn't just personalized at the top. It is a deeply felt—there are many people in the DDI who still blame the DDO for all of the troubles that the Intelligence Agency got into in the middle 70's. And for all of the damage to the image.

You barely get any headlines and you will instantly have a large number of people in the DDI saying it's those DDO people getting us in trouble again.

So there's a pretty deep institutional factor here. And there were not close, personal relationships by the people who were at the top of the organizations either.

So nothing in any of those events that would cause me to believe they would have reached out to pull Gates into the process.

Let me be a little more explicit here, Mr. Chairman, if I may, having gotten snippets of previous testimony. My understanding of events is that there was a significant program related to the sale of arms to Iran. And there are real issues about whether that was properly certified and notifications done. There are not issues of whether that was illegal activity.

Chairman. BOREN. No.

Admiral INMAN. There was separate activity related to a civilian private sector effort to support the Contras. There was also the ongoing effort of intelligence support to friendly forces in El Salvador, other countries, plus eventually a legal program being rebuilt. All within the legal framework.

There is the issue of diversion of funds which would clearly be illegal. And the issue of involvement by CIA into operations supporting the private sector effort after the Boland Amendment is passed.

Some of the discussions, certainly in the media, have tended to put all those together. And to say if you know any one part of it, to infer you must have known it all. And that's what I was trying to get at in the issue of compartmentation. I don't accept that.

I believe that there were a pretty large number of people who were very knowledgeable of the issue of flow of arms to Iran related to the hostages. That there were a fair number of people involved in putting together a new program for legally supporting the Contras. But I have not yet heard any credible evidence that more than a tiny handful of people were in the compartmented area that directly related to support for the ongoing Contra activity and none thus far that surfaced to me that any of those CIA people were actually involved in the illegal diversion of funds.

Some may have come to know about it and that's one of the issues, who knew what and when. But there's been a tendency to sort of put all of that together and say if you knew any part of it, you must have known all of it. And I don't accept that as a valid premise.

Chairman BOREN. So let me bring you back to that specifically and I won't rehash this too much.

What we are really talking about is not the broader question of did Mr. Gates know about the program to sell arms to Iran. He did. He's testified he did. He testified that he joined with John McMahon in sending a cable saying this is bad policy. And Mr. McMahon has testified to that as well.

Admiral INMAN. So did the Secretary of State and the Secretary of Defense.

Chairman BOREN. Yes. All objected.

Mr. Casey obviously did not object.

We also know that he knew, in general, that there was a private operation going on to help the Contras.

But what we don't know is whether or not he knew that the government was providing illegal assistance to the Contras at the time there was a ban on such contributions. And whether or not he knew that arms sales proceeds were being diverted to the Contras in violation of the law.

On both of those matters, he has said he did not know. Mr. Casey cut him out of that, if Mr. Casey indeed knew. And that no one else told him until, according to his memory, he became aware of Mr. Allen's charges.

Let me just ask you specifically, given your own experience with Mr. Casey as his Deputy, given your knowledge to the Casey-Gates relationship and the Gates relationship with the Directorate of Operations, what is your bottom line assessment as to the likely credibility of Mr. Gates' testimony on this matter?

Admiral INMAN. Mr. Chairman, I believe his testimony is credible. I—first, the events are entirely plausible of not being part of it.

I have asked him directly. He told me directly that he did not. I have never had an experience where I found Mr. Gates lying to me.



So, my inclination therefore is to accept that he has told me the truth. And I believe that.

Would you indulge me to do one other point here that I should have made earlier and just set a context.

And that's briefly to talk about a day in the life of the DDCL. And to tie it a little bit to what I've observed your lives are like.

You begin with a schedule at the start of the morning and a foot of message traffic that are about a foot high. And you have appointments all day long and meetings that you are moving to consecutively without breaks. But there are breaks when people break in to tell you something that's going on they think that you need to know. Or the phone rings, either to challenge some issue, too much time over bureaucratic fights over turf, but over also substantive matters.

And you finish that full day and there may well be an evening function to attend, and you still have that stack of material that you are trying to get through.

Well, the worry you have when you go home is when people burst in to tell you those things in the middle, was there something you missed in the process.

I've sat in a Senator's office, responding, briefing the Senator on topics that they were very interested in. And they were deeply engaged in listening to me. And suddenly the staff breaks in, two or three people, there's about to be a vote. And they start laying out for them quickly, these are the issues you need to consider, and if you do this on this amendment, it's that. And even as smart in recalling fact as I accept all of you are, I would lay a high bet that six months later, you couldn't go back and reconstruct who said what to you on a specific issue on how you ought to vote.

One of Bob Gates' great strengths—and I keep talking about his strengths. Let me talk a little about a couple of weaknesses along the way. One of the things I had to caution him on early. He absorbed what he got to read. He didn't always pay that close attention to what was said. And he developed a technique at time of writing notes or telling people to send him notes. I've done a little sampling of his NSC time. And I get back from the staffers that as they go into the whole run of things in the middle of business, he will say, send me a note on items three and five. And I would say, he got items three and five and knew they were important and wanted something back in writing.

But for a person who was living in that environment day to day, I think—it isn't an academic environment where you are sitting and reflecting on the potential meaning of everything, you are lucky if you pick off the ones that are important and don't make a mistake.

And I guess if I had to come down to why I have been such a vocal supporter, and as I've talked to my other retired friends who were equally there, we all say there but for the grace of God go we, of somebody who came in, told you something quickly and you didn't pick up on its significance until too late.

Chairman BOREN. I think many of us can find those circumstances believable. I have had the experience of saying to staff members sometimes why didn't you ask me this or that. And they will say, I did, I asked you that day when I would have been in the

middle of so many other things. I listened, I'm sure, but it didn't register with me. So I can understand what you are saying about that.

Let me ask two final questions. One is Mr. Gates has always been a number two or a number three or a number four person. He's obviously been a good staff person to those that he has served in terms of being a capable staff assistant. The qualities that are needed to be a good staff assistant sometimes are not the same qualities of those needed to be the real leader.

That is an assessment this Committee has to make. And it is a responsibility that I take very seriously. To make a determination as to whether or not Mr. Gates is prepared at this point in his life and career to make that movement from being a staff assistant to someone else; to become the top person with the ultimate responsibility; to report to this Committee; to take the really tough positions sometimes that are necessary; to perhaps to even stand up to the President of the United States on occasion, particularly if there were a President that told him not to inform this Committee of something.

He has made his way up through the ranks by, in a sense, having patrons, senior officials above him, that he impressed that helped him along the way in a very rapid rise as you described it.

I am interested in your assessment of him, your knowledge of him; he's worked for you; you know about his intellect; you know about his character. He, himself, has said, looking back on the events during the time of the diversion of funds in what has been called the Iran-Contra affair that he wished he had been more aggressive. In some ways, I think you have to say he had a staff member's attitude as opposed to a whistle blower's attitude who was really out trying to find out everything that was going on and perhaps had a really high degree of suspicion of those who were his superiors. When Charlie Allen came to him, to whom did he go? He went to Mr. Casey, he went to Mr. Poindexter and others. Of course, only in hindsight do we know that those were people that obviously were very likely involved in the very things that were going on. So he took his complaints to those people who were, at least, alleged conspirators in these activities. This, again, is the attitude of not a wrongdoer, but a staff member as opposed to a take charge attitude.

We have to make a decision, having heard his own comments that he has grown and in retrospect he would do things differently. We have to make a decision as to whether or not we think Mr. Gates, who's been in a sense the quintessential staff person, is now capable of making that very large step to assuming the responsibility of being a leader of an agency.

I would value your assessment based upon everything you know about him as to whether or not you think he is ready to make that leap.

Admiral INMAN. Senator Boren, as I indicated earlier in my testimony, from the point of view of developing interpersonal skills for managing people, we moved him along probably faster than it would have been better for him personally in building support from people who worked for him.

He broke some china.

Chairman BOREN. In terms of interpersonal relationships.

Admiral INMAN. Interpersonal relationships.

Chairman BOREN. I understand that—

Admiral INMAN. He was an extraordinarily hard task master. He is of himself. And he is of others.

He's older. Maturity has been added. He has clearly grown in the successive jobs that he has had.

I believe, even if we weren't in the troubled world that we are going to be in, that he is the best candidate for the job and that he is now ready to provide the leadership and the management, not only of CIA, but for the Intelligence Community that the country needs and that CIA needs.

I must tell you that I think it is going to be a bumpy few months. Early in his assignment, if you confirm him, as I hope you will—that the Senate confirms him, and you recommend that confirmation—it's going to be bumpy because there is a massive job in front of the country to reorientate its intelligence activities to the reality of an incredibly changing world and one that's going to keep changing. I think the next six to nine months are going to be extraordinarily turbulent. If we could get a peace agreement in the Middle East, it would be fabulous about what it would do. I think we are six to nine months before knowing what's going to come out in the Soviet Union. This is the Karinsky period. 1918 is still in front of us.

I have been doing some samplings, Senator Boren, of youngsters I know and middle level managers I know. And a couple of senior ones. The very bright younger ones are very eager to see him returning. There is substantial apprehension at other levels that he will move too fast, too swiftly, and too brutally for their careers.

So I think you should all understand that if you proceed to confirm, you are still going to read articles in newspapers of people who are unhappy about their comfortable life being changed. About these changes are all being done for political reasons. From the beginning it has been my experience that the analyst's first complaint when someone challenges their analytical judgment is that it is bound to be political. Can't be because they are wrong. I may even have been guilty of that a time or two myself as a young analyst.

Chairman BOREN. Thank you very much.

Admiral INMAN. May I make one other point, if I may?

On thinking back to where did Mr. Gates know with knowledge? If I had been the DDCI, in 1986, and a problem had arisen about it, the person I would have gone to was Admiral Poindexter. The NSC Advisor. From my earlier knowledge of watching him come up when he was Senator Warner's administrative assistant, this was the quintessential straight arrow. And a brilliant one.

And I know of no knowledge up to the events unfolding that would have caused anyone in the senior jobs not to say if you think there is a problem, the guy you'd go see is John Poindexter.

So now, saying gee, because he went to Poindexter, that must be wrong, just blows my mind. But yet that is what I am reading in some of the coverage.

Chairman BOREN. Thank you very much. Senator Murkowski and then Senator Warner.

Senator MURKOWSKI. Thank you, Mr. Chairman. Admiral, I welcome you.

Admiral INMAN. Thank you, Sir.

Senator MURKOWSKI. I want to acknowledge your assessment of Mr. Gates. But, I wonder if you could help us out a little bit because the last witness we had yesterday, Mr. Polgar, was substantially more concerned about Mr. Gates' qualifications and association in general. I wonder if you can shed any light internally on the structure within the Intelligence Community in as much as Mr. Polgar as an old hand, so to speak, in the Directorate of Operations and Mr. Gates was the Director of Intelligence—is there a basis there for competitiveness or a little suspicion or an explanation of why your assessment of Mr. Gates is substantially different from Mr. Polgar's. I recognize you worked with him, and Mr. Polgar did not, but nevertheless, I certainly respect the opinions of all the witnesses, and we have in this case a contrary position, so to speak.

Admiral INMAN. Senator Murkowski, let me first acknowledge that I have great regard for Mr. Polgar. His great accomplishments for the Agency largely will remain unknown to the public at large, but he was a very successful operator in running a number of different stations. We bring a very different experience base in looking at and judging people's competence. And I don't know whether we have a shared view of what the challenges are going to be out ahead. There has never been to this point in time a Director who primarily spent his career in the analytical side of the business. We've had a number of Directors—and some very good ones—who came up out of the DDO side. And I have to be honest to tell you that if I thought the world in the next ten years was going to be one in which the primary responsibility for the Director of Central Intelligence was running covert operations, I'm not sure Bob Gates would be the individual I'd be recommending to you today.

That isn't the world I see at all. The world I see is one where covert operations are likely to be a very small part—hopefully a very small part—of U.S. policy. That it is largely going to be trying to understand a vastly changing world. To support the necessary ongoing activities of the Directorate of Operations, but also looking for all those other human intelligence sources and supporting them—they're in the Department of State—and the others that are overt, not covert, but particularly in focusing the analytical capabilities of the Community on the problems of the world going forward, not of the world in the past. And it's in looking at that conception of the needs and Gates' experience as an analyst, and then for me the final particularly valuable part, is the extent of his service at the NSC in different Administrations with very different viewpoints.

We need critically to have an Intelligence Community that's focused on producing not what they want to produce, because they like to write about it, but on what the country critically needs in this new world. So, it is my judgment that Gates has both the capability as a manager, but, more importantly, the vision of how to go about transforming this Community and focusing that will be necessary. It is clear that he will need to rely heavily on a very competent leadership in the DDO. My own view from my current role as the Vice Chairman of the PFIAB and watching him, I think we've

got a very competent team in at the top of the DDO right now. So, I'm pretty comfortable with how that part is going to go. But again repeating, if you were going to sketch for me a world where primarily you wanted him to run covert operations, this isn't the guy I would be out saying is the best candidate.

Senator MURKOWSKI. Let me refer to another area where there's been some criticism relative to the feeling that intelligence may have been slanted for political reasons by Mr. Gates. Did you ever see or are you aware of attempts to slant, distort, or suppress or otherwise politicize the analytical product of the Intelligence Community under Mr. Gates? And would you elaborate a little bit further as to why this stigma seems to be hanging out there, but it's hard to identify with specifics, at least from the standpoint of my observations on the Committee.

Admiral INMAN. Senator Murkowski, I have no direct knowledge during the period when Bob Gates was the Deputy Director for Intelligence or the Deputy Director for Central Intelligence. But, I did watch this problem at the beginning of the Administration. I find myself in an unusual position of defending Mr. Casey. I think the rap that Bill Casey slanted the intelligence product of the Community is just plain wrong. I watched the process very carefully.

First, he made his fortune on writing books. He considered himself a consummate writer and an editor. And, as soon as he arrived, he wanted to start reading the rough drafts of things that were being produced. And he was not gentle in his criticism. But if you probed, it was very much separated. One was what are your ideas and the other is how'd you put them down on paper. There's the famous estimate on Mexico that's been much the subject. My understanding, it floated up. It was a very thick tome. Had lots of good ideas in it, but it was not something that was crisp and tight and caught your eye. And in reading the draft, Mr. Casey wrote across the top, this is a bunch of crap. He wasn't referring to the ideas. He was referring to the prose.

The reason I'm so confident of this is that I watched what he did on Estimates. He would spend some time trying to get people together and he'd press them to articulate their views clearly, and he did not feel bound by them at all. He would put on a cover letter and send it forward to the President and say these are the views and I don't agree, and my views are the following. If you're going to do that, you don't go try to twist somebody else's judgments and statements.

The problem comes every time you challenge. This first came up over terrorism. And this is sort of how these things tend to evolve. The Secretary of State had made some charges in a hearing that, as covered in the media, said the Soviets are directly responsible for all terrorist acts. And that isn't exactly what Secretary Haig said, but that's how it got translated. So instantly we got a paper written to rebut the view that the Soviets directed it all—not a broad assessment of what was happening in terrorism. I wrote on it as it went forward, this reads like the prosecution's brief on why they decided not to prosecute. He had somewhat pithier comments to make—

Senator MURKOWSKI. You're talking about Casey now?

Admiral INMAN. This is Casey now. Gates watched all that from the side. He moved on into the job. I've said I had no direct knowledge, but I have watched from the sidelines two Secretaries of State object to Mr. Gates' putting forward forcefully his own views. If you're ambitions to climb in this town, you don't go antagonize the Secretary of State if you're on the route to promotion. So—

Senator MURKOWSKI. Is that in your opinion the basis for the allegations of slanting?

Admiral INMAN. I believe that that is the primary basis. Now, what I hear from the underneath side—from talking to the analysts—the environment was pretty tough when Bob Gates moved to be the Deputy Director for Intelligence. It became a very tense working environment because he read everything. Nothing went through that he didn't stop and read. And he could call in the middle managers to ask them all kinds of questions which they frequently couldn't answer. And they began to read in greater detail. And a lot of people took that as a hostile, threatening environment, or one that was put in place to slant intelligence.

Senator Murkowski, this is not an easy one for me, but I believe it's a reality. That in the late 60's and through much of the 70's we were not able to consistently recruit to CIA the quality of talent across the board that we had been able to recruit back in the 50's when there was an ideological reason to want to be part of the fight. It's not a majority, but it's a significant body of talent that is not as crisp or as sharp as I would hope uniformly there were across the board.

I won't say that all the critics are in that category. I know a few are. I know a few others are people who were bypassed when he was promoted over them. I understand why it's hard to acknowledge that that could be for any reason other than for political motivation. There may turn out to be some examples you'll find where callousness crept in, something is published or circulated that wasn't as tight or as good as it should be. The other Committee criticized an Estimate on Central America in 1982 that I got upset about because I had played a role in putting it together. In reading it later, we weren't—we rushed to try to get it out and we weren't as precise in all of the wording as we might be. So, where you find some occasions where the standards—even that Mr. Gates did—wouldn't meet what we need, the answer is probably yes. But, I don't believe you're going to find political motivation as a real legitimate cause for what took place.

Senator MURKOWSKI. How could Mr. Gates' critics take the issue of the two papers that Mr. Gates prepared that were contrary to the view of two Secretary of States, how could it be construed that by their failure to accept his opinion that somehow he was slanting, if you will, the CIA's role on a particular topic or issue?

Admiral INMAN. Senator Murkowski, you are getting into a part that—you can't have it both ways. As I have been reading the media. First he was slanting intelligence to the popular, and then suddenly he was a hard-liner driving US policy off to spend much more money or be much harder lined because he wasn't open to different views. This is always the problem you've got when you form views or judgments.



One of the things I remember about Gates from very early in his career, was having tried to sort out clearly the difference between being an analyst in the intelligence community and being an academician. The academician reports history, develop theories. The analyst at CIA, if they are going to be of value, must make judgments. What do these bits and pieces mean—they don't have the luxury of waiting as a historian can, until you have got all the pieces. And the assumptions you make are sometimes wrong. I think if you went back to just look at the track record, was Gates correct in everything, and the answer would be absolutely no. Was he correct a high majority of the time? I think you will find the answer is yes. And even for the best in this business, that's going to be the average that is going to come out. You deal with fragments of information. Indeed your assumptions do run a risk of helping provide some bias. On other times, those assumptions cause you to say but what if it doesn't work? The policy you are on may have fundamental flaws and you need to re-think it.

Senator MURKOWSKI. I very much appreciate you going into some detail and making a distinction of reality that you can't have it both ways, because more often than not, one of the questions that the media continually asks me is, well, how do you feel about the allegations of slanting? And I think you have cleared that up certainly to my satisfaction, Admiral.

I can't help but ask you the last question. Recognizing the changing world of intelligence and the new demands that are going to be put on the new Director of Central Intelligence—what Congress probably wants is better intelligence and less expenditure. Give us a short review of what advice you would like to leave with Mr. Gates and this Committee.

Admiral INMAN. I run the risk of being a little self-serving here.

Senator MURKOWSKI. I understand that.

Admiral INMAN. You may remember when I appeared before the Committee when you were opening the organization review and I made a strong pitch that the first thing that needs to be done is to stand back and get a real assessment—try to find ground truth on what are the problems we are going to have to deal with over the next 10 years. I have found enormous resistance in the Intelligence Community to get involved with that again.

Partly I am sure a lot of them are anxious to hear what the users think the world is going to be like. Because that may mean they can't continue to work on the problems where they are experts. That threatens the viability of their career. So it is an understandable fear. But I really believe it must be done and I was delighted to see in Dr. Gates' opening statement, the commitment to the Committee that the President has agreed and that they're going to embark on a major effort to pull the users in to an effort over the next several months, not over the next year, to try to get some consensus out in the user community, not the intelligence agencies, about what the problems that are going to have to be faced by government over the next 10 years, no matter who is in power.

And then the critical job—this isn't going to be in time to shape the budget that is going to come up to you, but it will be in time to correct before you have to act—what do the intelligence agencies

now do? What aren't they doing? What changes can they make? Where can we go do it elsewhere? I think it is probably going to be March or April before we reasonably can expect the kind of solid answers. I think we are then in for some very major challenges.

A worry, if I may lobby a minute more on the issue, is over an area where you all don't have jurisdiction. In this new world where travel is going to be vastly easier than it has ever been in most of my adult life in countries of concern to us, you don't need clandestine agents, nor satellites that can define down to a small perimeter. You need bright observers, with language ability, with a clear knowledge of the culture, who are going to be there, and I think that fundamentally gets to the Foreign Service. And what is the level of competence in the Foreign Service and what is the input and how are they deployed? As I go back to my young days as a briefer for the Chief of Naval Operations and the Secretary of the Navy, in the morning when I got up to brief, I'd say a third to be a half of the material I used were State Department cables. That is back when there was a far larger Foreign Service, with a much greater breadth—and I really worry going forward—who is going to look at that large part of the human intelligence issue? I think the clandestine part is going to be done competently, with the good people that are there now to run it. But that is a tiny part in my view of both opportunity and challenge as we look out to how are we going to get a much better understanding of what is going on in this world in the years out ahead.

Senator MURKOWSKI. Thank you very much. Thank you Mr. Chairman.

Chairman BOREN. Thank you. Senator Warner.

Senator WARNER. Thank you Mr. Chairman, and nice to see you again Admiral Inman.

Admiral INMAN. Thank you sir.

Senator WARNER. Senator Chafee and I are proud to say that you were once a member of the team that we served with in the Department of Defense and, of course, you, in your usual humility, acknowledged those that helped you get where you are or the goals you have achieved. But I'll tell you, you did it on your own and I think all who know you well recognize that.

Let me go to the first point I would like to make. Is there not great value in the relationship between the President of the United States and Bob Gates, and does this not contribute to the functioning of the CIA and indeed the entire Intelligence Community? He who has the confidence of the President, who sits at the elbow of the President, then becomes a full member of the round table of discussion in the White House?

Admiral INMAN. Senator, let me try by specific example to try to make the case.

I was persuaded in 1981 that we indeed needed to undertake then a fundamental assessment of what were the intelligence capabilities that the country was going to need in 1985 to 1990, and to have that guide how we spent money. I got a tasking from the NSC to get that done, and I got a memorandum up through the Joint Chiefs structure to support it. We put together an effort, and I spent a great deal of my time on it. We got agreement from the departments, then got the intelligence agencies to lay-out what



they could do. We didn't do priorities, which was a real shortfall, but we were looking at lots of money, not shrinking budgets. But at that point, it was blocked. There were those at the NSC and those in OMB who did not want to see it go forward. Mr. Casey called the President and said, "we've got this effort that you need to see." And so despite the other objections, it went on the agenda for the 19th of December. And we made the presentation, and he listened to it and President Reagan said, "I don't see how we can not do that." And that became the guidance for the build-up that guided the activities not only in the Intelligence Community, but this Committee. But if it hadn't been for that direct access that personal knowledge provided, it would never have gotten on the agenda, at least not for a long time, it certainly would not have guided the budget decisions going forward.

So there isn't any question that that ability to have the direct dialogue with the President is of enormous importance in being able to move along the agenda for change.

One also hopes that in those few brief moments at NSC meetings, in cabinet meetings, the DCI also has a grasp of what's happening in the world that he can interject—think about this, what if that doesn't work. So ideally in the best of worlds, you want both that direct access and also a depth of knowledge on events that can provide guidance in the fleeting opportunities that arise.

Senator WARNER. And wouldn't you add another one, objectivity of the DCI?

Admiral INMAN. Yes, objectivity is critically important. I do think—

Senator WARNER. And Bob Gates has that in your judgment?

Admiral INMAN. Yes. I counseled Bob Gates that I think the biggest problem he is going to have as a DCI, isn't going to be redeploying the assets, challenging what's going on—it's going to be keeping his mouth shut about telling the Administration about what they ought to do. When you have been on the side of shaping what the policies are, it is going to be hard to go back. But he understands that, he is committed to do it and I am very comfortable that he will play the proper role of the DCI, to tell what is happening in the outside world and not try to drive what the US policies are at the outset.

Senator WARNER. And you also confirm that he will be able to establish equally close working relationships with the Secretaries of State, Defense, and the National Security Advisor—in short, the team that does the central thinking on our security issues.

Admiral INMAN. The fact that this team has worked together now for 2 years and worked together very well, augers particularly well in dealing with the challenges. Particularly important is going to be the role of Secretary Cheney and the Chairman of the Joint Chiefs. Because as you get around to dealing with cuts and redeployment, so much of it is in that budget as you well know, and the fact that those relationships are already well established says he can hit the deck running to deal with the problems quickly.

Senator WARNER. Also, you have touched on a point that I think is very important and that is the ability of the CIA to attract young people and to keep top people. I would say in my observation through the years that CIA does attract that type of individual.

Most of them could go into the private sector and command higher salaries. Would you not agree on that?

Admiral INMAN. I do agree with that.

Senator WARNER. Therefore, they have got to have a leader that can continue to inspire them to make the self-sacrifice to stay on. Do you feel that Bob Gates can provide that inspiration right down through the ranks to the new recruitment? Can he convey to the CIA that I am looking out after your needs, be they in your professional or others?

Admiral INMAN. I have confidence that he can, Senator Warner. The job is going to be harder because of all the publicity and all the allegations that have been made. There isn't an analyst there who doesn't read all of the media everyday. Those who don't know him are bound to have some apprehensions out of all of that. So he is going to have a harder job at the outset in clearly establishing confidence inside. I am very comfortable that he can do that.

He also has a real problem, 5%, 10% of the employees who don't measure up the high standards that we all would like to see. I hope it is going to be possible by focused efforts of training and broadening investment to hold on to the investment that is already there and get them to the same level of performance as the rest. But that is a challenge.

Senator WARNER. On that last note, I have had the opportunity and privilege to be here for a decade or more and I have been through my fair share of confirmation hearings. But this one sets the high water mark for this Senator in looking into the intrigue and the competition that exists between those climbing the power ladder here in the nation's capitol. I think a great article could be written about this hearing entitled "Profiles of Egos."

Now, there is a constant marathon in the nation's capitol with respect to the Soviet Union, or whatever eventually evolves there. It will continue to be an axle around which the policy decisions are made, the funding decisions, the budgets, and the like. Give us your candid and very frank assessment on how Bob Gates, in your judgment, ranks as a Soviet analyst. And how his analytical work, if confirmed, will contribute to this decisionmaking process?

Admiral INMAN. Senator Warner, I hesitate a little bit in answering because I have a little bit of a gap here. I have the earlier period that I saw first hand. I've now got brief glimpses in my later years.

Senator WARNER. Well, there is no dispute that he is an expert in this area?

Admiral INMAN. Yes. And given that hesitation, his depth of knowledge of the Soviet Union maybe matched by few people, but it's not exceeded by any that I see. And particularly important, I think, as we go through this new world, it is grounded in a very good academic background looking at Russia before it became the Soviet Union, and watching evolutions and being able to try to understand the forces that have been at work in that great land mass for centuries, and how they play or may play.

Plus there is the new reality that separates this era from any of those earlier ones, and that's nuclear weapons. And the vast number of nuclear weapons that are there and that will still be there, whatever the governing structure that is put in place.

I am happy that he is still going to have access to some talent like Larry Gershwin and a few others that I have come to enormously admire for the dedication and competence they have demonstrated. So he won't be a one man band in the process, but its the depth of his background and understanding of the problem that I think will make him both sensitive to the dangers and also to the opportunities.

I did not get to hear any of his hearings, and I don't know if it is from this one or an earlier one, but I have read repeatedly the quote that intelligence officer when they smell flowers look for the sign of a funeral. It is the lot of an intelligence officer to primarily bring bad news. You rarely get to take good news to people. You spend your life looking for troubles, not looking for the things that are going well. It is simply the nature of day by day dynamics.

Senator WARNER. Have you finished.

Admiral INMAN. Yes sir.

Senator WARNER. I wanted to touch on one other subject and that is in my opening comments on the hearing I tried to describe my view that this position relates beyond our shores. In other words, it projects. And in some measure, the degree to which we get other nations to cooperate with the United States in intelligence gathering, and the degree to which they have confidence that their contributions will be properly assessed, properly classified, starts with that man who is the Director of Central Intelligence. Give us your view on how Bob Gates will be perceived and will relate in the foreign capitols of the world and how that will or will not augment our intelligence service?

Admiral INMAN. Senator Warner, concern about that topic motivated some of my earlier discussion at the beginning of the session about the need to try to groom a professional to ultimately be the Director of Central Intelligence. We made a conscious decision as a country back in the '60s when we began significantly reducing our own manpower, to increasingly rely in a great many areas on friendly foreign allies. In some cases to rely entirely on them for the provision of knowledge, raw material about areas of the world. And in other areas to our significant advantage—that first one I have some qualms about, because if they suddenly aren't your friends, you might be deprived. But the other great advantage particularly with a few who where very capable and very good, was to be able to challenge your assumptions. To have another professional group who would look at the issue from a different perspective and would help either challenge your view or reinforce it. In that environment, the judgments about the professionalism and competence of the US intelligence agencies—going right to the top of the leadership—is critically important in how much effort other countries are prepared to spend in wanting to be supportive and wanting to have that relationship and in turn in providing data to us.

I have been privileged when I headed other agencies to be in frequent contact with my foreign counterparts and to occasionally get their critical views of what they thought about the overall competency and leadership of those then at the top of the US intelligence community.

In all of the countries that come to mind that we have significantly relied on, they tend to have professionals at the head of

their service. And they do indeed look at this process carefully in deciding the extent to which they are going to cooperate.

Senator WARNER. By professional you mean careerists?

Admiral INMAN. Yes sir. Competent career.

Senator WARNER. Fine. I want to say I appreciate the remark you made on behalf of Admiral Poindexter. Indeed when we were all together, he was an outstanding individual. We wish him the best however it turns out.

Lastly, and just as a footnote. This hearing has really put ol' Bill Casey on trial. You saw him in those first few months, indeed 18 months, when he took on these responsibilities. I would hate to have this hearing close out without the opportunity being given to just give a brief synopsis of your view as to his contribution as a public servant to our system of government and our security.

Admiral INMAN. Mr. Casey was a man of great intellect and great vigor. He was also to some substantial degree a man of another era. He was extraordinarily dedicated toward the competency of the intelligence business, and in his view, the broad interest of the country. He was a great patriot. He did not hold all institutions of the government in high regard. He had tried for the Congress had not been elected—

Senator WARNER. Nor all the people at the head of those institutions.

Admiral INMAN. Nor all people who were in it. He tried for the Congress and not been elected. And I can remember a conversation as I was leaving with John Bross and some of the other people who had been with him in OSS days and who were so devoted and we all acknowledged our one complete failure, was in to get him to be forthcoming in working with the Hill. He just, not only didn't see any value to it, he saw it as a negative thing to do.

I think that is precisely how we ended up getting into Iran-Contra and all the damage that that did. None of that detracts from the fact that he worked extraordinarily hard at trying to serve the country's interests as he saw it, and I really do think on the issue of alleged slanting of intelligence, he really has gotten a bum rap. I come back to that from having watched—he would press people to articulate their view clearly, but he had no qualms about sending up—if his views were different, he would state that directly. And so this image that he was twisting things to come to his view just was not what actually happened. He wasn't at all reluctant to express his view, even if it wasn't always supported by fact.

Senator WARNER. Well that OSS crowd, I think, made a very major contribution in its time.

Admiral INMAN. Oh, they did, it was a very great time in his life.

Senator WARNER. Donovan, David Bruce, he and others did carry forth, I think, some of the firmness and commitment that was bred in by that group.

Admiral INMAN. That was the great time of his life, and he did it extraordinarily well. I think he carried to his grave his view that that was a better way to do it than the way we have got established in the 70's or 80's.

Senator WARNER. He might be right. Thank you Mr. Chairman.

Chairman BOREN. Thank you very much Senator Warner.

We'll proceed now with Senator Bradley and then it has been indicated to me that both Senator Cranston and Senator Chafee will be returning and perhaps others.

Admiral INMAN. You missed a very long rambling at the outset, Senator Bradley, that you will get to read. You didn't really miss much in the way of fact, but I'll be happy to respond to your questions.

Senator BRADLEY. Admiral Inman, nothing that you do or say I am sure was long or rambling.

Admiral INMAN. They were, I'm afraid.

Senator BRADLEY. My experience with you has been that you are very precise and insightful. I have really only one question, and that is to elicit from you your interpretation of the Hughes-Ryan Amendment. Essentially it says no funds may be appropriated for other than activities intended solely for obtaining necessary intelligence unless there is a Presidential Finding—unless the President finds that such activity is necessary. How do you interpret those words?

Admiral INMAN. May I ask a question before I answer? When was Hughes-Ryan revoked? I had been I think—

Senator BRADLEY. It was revoked last year I think.

Admiral INMAN. Sometime recently.

Senator BRADLEY. The law now says I think primarily—which in conjunction with what is possible in the Defense Department, as Senator Nunn alluded to in his initial questions, opens an enormous loophole prospectively, and the issue is not really though prospective, the issue was looking—when you were there, how you read the law.

Admiral INMAN. Senator Bradley, there have been a lot of debates over time, and a lot of different advice from lawyers. My understanding was reasonably clear to me, that intelligence exchanges, providing raw data, providing analytical data, a discussion of what that meant or how it meant, was within the intelligence prerogative of the Director of Central Intelligence. Why that was important to us was that meant you didn't have to go to the NSC or State or Defense or others for their concurrence. But if you moved from the substance of the intelligence to training, if you were going to go train analysts how to be analysts, that was an operational matter and, therefore, it needed to have outside approval. That was the interpretation that I operated under.

The DCI could decide what countries with which we would exchange intelligence. If he was wise, he would consult with the President, the Secretary of State, to make sure we weren't doing an exchange with a country where it was inimical to somebody else's interest. But that we could use the material that we had produced from any source to exchange under his authority, his guidance, and his decision at what level of classification. But the moment you moved from that exchange of information to even to the point of view of training people how to be analysts themselves, or how to collect themselves, that puts you in a different environment.

There is an exception. I'm a little reluctant in open session, but let me lead you toward where to look. There is a very special relationship in the Middle East that's gone on for many years where

our concern is the security of the state where we have accepted the provision of equipment, the training and the rest of it as an intelligence exchange and not requiring a Finding. But that's the only one in my memory that was clearly done as a knowledgeable exception, but was done in the context that it fit overall larger needs. And an unstated alliance structure.

Senator BRADLEY. Now, getting back to the words. The words say, other than activities intended solely for intelligence gathering—obtaining of necessary intelligence. So any activity that did not have as its purpose, and did not produce as its result, intelligence, necessary intelligence, it would require a Finding.

Admiral INMAN. Senator Bradley, a lot of us may have been guilty of interpreting that pretty broadly because there's always the general view that when you are providing intelligence, it also gives you access to the people and you get to know them and know about their structure and what they're doing. So there are a number of ones I've been engaged in over the years where I perceived that I was gaining knowledge on the intelligence structure—even a friendly country—and understood it better, and that that was a gain that I was getting in the process. As you read me the cold letters, that sounds to me like a pretty broad interpretation. That was a practice that we followed. And the general view was if you were learning more about their intelligence organization, that was a positive good that you ought to try to do.

Senator BRADLEY. So that you admit that the practice was in fact a broader—

Admiral INMAN. As I reflect on it.

Senator BRADLEY [continuing]. Than a precise reading of the law which says solely.

Admiral INMAN. If it says solely for—would you read me again precisely?

Senator BRADLEY. Intended solely for obtaining necessary intelligence.

Admiral INMAN. The soft words that are obtaining necessary intelligence. And I'm sure we could in hindsight get pretty good arguments about how much you really got and how valuable was it in the hindsight. But this has always been an area that the DCI repeatedly has set out to protect—the breadth of his authority—and it didn't have to do with dealing with Congress. It had to do with—

Senator BRADLEY. I'm sorry. It didn't have to do with—

Admiral INMAN. With dealing with the Congress. It had to do with keeping the other departments and agencies out of supervising the intelligence process. So I watched repeated DCI's—it would depend on the Administration—assert very strongly their authority.

Senator BRADLEY. But it certainly could not involve activities meant to influence, it could only mean activities meant to receive intelligence. It could not mean activities meant to influence, could it?

Admiral INMAN. You might have had that result, though it wasn't your clear, intended purpose. I'm pretty hard put to remember ones I was involved in where I thought I ever influenced another government's activity. I did learn a lot about their intelli-



gence capabilities. And sometimes that led me to encourage us to be more forthcoming. But others I learned that we were not well served and we ought not to be forthcoming.

Senator BRADLEY. But if it was meant to influence another government's activity.

Admiral INMAN. If the stated purpose of the exchange was purely to influence another country in its other activities, then I would have come down that it needed a Finding.

Senator BRADLEY. What if it had that effect in conjunction with all of the other—

Admiral INMAN. Unfortunately, in the real world of operating day to day, I don't think you can end up that neatly controlling whether it ends up influencing. So it is, you are facing the question to some degree in what was the state of mind. And if you got into the process purely to influence somebody, then I would have made the case that you needed to go to a Finding.

I had argument in a different way over support for Eden Pastora. My view was that Pastora, if he was going to go out and was going to operate down in Costa Rica—that for me that was venturing toward overthrow of the Nicaraguan government. The argument back was no, no, supplies flow through Costa Rica to go El Salvador. It's within the letter of the Finding.

Senator BRADLEY. So that if—

Admiral INMAN. To some degree you get, even when you follow by the letter, it's still hard to make sure the spirit—

Senator BRADLEY. So that if the activity itself—if the effort to get intelligence was at the same time a part of a larger effort to influence a country's policy—whether it was military policy or political policy, that raises some questions.

Admiral INMAN. But again I'm having difficulty in the practical application. Frequently, in the intelligence exchanges, we clearly had the objective of having that country feel more dependent on us, more indebted to us, and wanting to be friendly with us.

Senator BRADLEY. That's not my point.

Admiral INMAN. Okay.

Senator BRADLEY. In terms of eliciting good will because of the receipt of information is not the point. But I mean actually influencing a country's policy—whether it's political or military policy, where one aspect of that might very well be eliciting or sharing intelligence, but there might be other aspects as well, which combined, clearly would convey something much broader.

Admiral INMAN. If there was a quid pro quo—that in return for the intelligence exchange the country was going to go do something that we wanted them to do, then in my view that would clearly require a Finding—if that was your explicit intent when you set out. You did it because you wanted them to go do something they were not doing from which you would benefit. That's an operation. That's not simply an exchange. On the other hand, if you're entering into it to try to draw them closer to you, to get information, to understand them, I believe that's clearly within the practice that I watched over a long term in managing intelligence relationships.

Senator BRADLEY. So that a question might be put that if the provision of intelligence resulted in a change of behavior, then it's clearly fallen into your lap.

Admiral INMAN. I think it is fair to ask at that point time, was that your intent, to change the behavior.

Senator BRADLEY. And what was said at the time would clearly indicate whether that was your intent. Right? I mean words are the only thing that we have to go by—what somebody says. Whether it is talked about here or whether we talk about it somewhere else in a more classified setting, the issue is words. I mean that has to be the way we communicate. Maybe the Intelligence Community communicates by nods or winks or—but words are fairly rudimentary in terms of communication. I mean, just like the word solely has a very clear definition. Whether the practice of the Agency was divergent from the definition, it's very clear.

Admiral INMAN. Senator Bradley, I am doing my usual practice of interrupting before you can ever get to the finish of the question for which I apologize.

Senator BRADLEY. I don't find it irritating at all.

Admiral INMAN. I don't have the—it's that eagerness to get at—I don't have knowledge—

Senator BRADLEY. I like to have a witness who is eager as opposed to one who is reluctant. And I find your comments very helpful.

Admiral INMAN. Let me tell you why I am having trouble with your question and it comes down to the incident I briefly alluded to, and that's in Central America the decision to get involved with Eden Pastora. I challenged whether it was within the spirit of the Finding. Mr. Casey was very direct in his response as saying that is not what we are doing at all, we're doing it to interdict the flow of arms. I have to tell you I have and always will have questions on whether his objective was that or whether it was to overthrow the Nicaraguan government, but that was his clear stated response to me.

So you are always going to be sort of caught and I guess I accept that this is a hard problem you've got in confirmation.

Senator BRADLEY. If we could get away from Eden Pastora—

Admiral INMAN. Yes, sir.

Senator BRADLEY. Though he was a strong man, let's look—if, since we are dealing in hypotheticals, if someone in the agency solicited the Sultan of Brunei to make a contribution to an operation, that would clearly be a violation. Would it not?

Admiral INMAN. In my view, the effort to go solicit the Sultan of Brunei to contribute to other operations I would want a Finding.

Senator BRADLEY. Or if—

Admiral INMAN. If you were going to go do an intelligence—I don't know why you would want to do an intelligence exchange with the Sultan of Brunei, but maybe he's got a good process—but if you were, I would want to understand that better.

Senator BRADLEY. Or if after the Sultan of Brunei provided it, or was about to, or was in the process of, or was on the brink of providing it, someone went to him and said, really, you are really wonderful, you are doing wonderful things here. This is something that I like. That has the same effect.

Admiral INMAN. Senator Bradley, were the approaches to the Sultan done by the CIA or people in CIA? Or were they done by people in other departments?



Senator BRADLEY. No, this is a hypothetical we're dealing with—

Admiral INMAN. Okay, I'm sorry.

Senator BRADLEY. So that we can get away from Eden Pastora and to something else that might even be more relevant than the Eden Pastora.

Admiral INMAN. I pulled into the prospective legality.

Senator BRADLEY. So the answer?

Admiral INMAN. Well, I come back to—first recognize that I have a reputation of being a legalistic in this process—and in looking at the damage done to the whole intelligence process in the 70's, in looking back at a lot of activities which hadn't been governed, I was very deeply involved in trying to put together Executive Orders and others that were very explicit of what you could or could not do.

I have to admit I didn't pay much attention to Hughes-Ryan. I was looking totally different, how do you construct a process that will work? But in that, I had very clear understanding in my mind that you now had Committees that you could deal with on these issues. You had contingency funds that they had to approve the release of to support them. And therefore you kept a very clear line between what were intelligence exchanges and what were covert operations. And if it was a covert operation, there was a process for which you went for a Finding.

If the orientation is what you can get away with, not what does the letter of the law require, then it's always going to be very tough to make sure that every possible example is examined and put to that test.

Senator BRADLEY. I am not quite sure what you just said in answer to the question.

Admiral INMAN. I am having some difficulty in dealing with a hypothetical, I am drawn back to practical experience. In Mr. Casey's view was if it was not explicitly prohibited that didn't mean you couldn't do it.

Senator BRADLEY. Okay, let me just ask you one question—quick answer. The Chairman, and I have gotten my note and the—

Chairman BOREN. Go ahead as long as you want to.

Senator BRADLEY. Would it be a mere exchange or a covert action if the information that one provided were given knowingly or explicitly for the purpose of influencing the political or military policy of a country?

Admiral INMAN. You have got to be more explicit. Is it to do something? Are you trying to get them to go to actually act?

We try to shape countries policies every day.

Senator BRADLEY. Yes, yes.

Admiral INMAN. You are trying to get them to go act; it needs a Finding.

Senator BRADLEY. Okay.

Admiral INMAN. If you are just trying to broadly shape their attitudes about things, it does not.

Senator BRADLEY. Thank you.

Chairman BOREN. Let me at the risk, we are in an area almost of theology, but it is a very interesting one, and of course as you can tell—

Admiral INMAN. That one about, I don't understand the background.

Chairman BOREN. I understand. And unfortunately we can't go into it in open session so you are at a disadvantage in terms of what it is we are talking about. We will be pursuing this matter obviously in our closed session because as you can tell we are talking about matters that are classified. But it is a very interesting and very important area and is one that has been an interest to the Committee for a long time. I would like to ask you a couple of questions about it just to follow up on what Senator Bradley said.

As I understood your answer, you don't think something would require a Finding to share intelligence with Country X, if by doing so you are trying to influence their policy to get them to do something that they otherwise were not going to do.

Admiral INMAN. If what you are going to influence them to do is to be friendlier to which they would not otherwise be——

Chairman BOREN. No, no. To take an action they would not otherwise going to take. Then you are saying it would require a Finding.

Admiral INMAN. Yes.

Chairman BOREN. Now if you share intelligence with them to help them do something they already intended to do or wanted to do——

Admiral INMAN. That is clearly within the bounds of intelligence exchanges as we have conducted them for 40 years.

Chairman BOREN. So the test that you would put on it is whether or not we are getting them to take an action they otherwise didn't intend to take?

Admiral INMAN. Yes. Or into classified hearings you can go into great detail of past instances where we have provided intelligence that other countries have used in their ongoing activities.

Chairman BOREN. Yes.

Admiral INMAN. But we did not go get them to start some activity in the process. We provided support for what they had ongoing as an intelligence exchange.

There is one in particular friendly foreign country that comes to mind it was done frequently.

Chairman BOREN. Right. So your test as I understand it is whether or not we caused them to take an action they didn't otherwise intend to take——

Admiral INMAN. Yes, sir. That would be for me——

Chairman BOREN [continuing]. Or whether or not we assisted them by giving them intelligence in an action they already wanted to take

Admiral INMAN. That would be the test for me.

Chairman BOREN. That would be a test for you.

Admiral INMAN. I may have even muddled the waters by not knowing the facts.

Chairman BOREN. Pardon. Yes I understand. The Vice Chairman wants to interject a question, so I have one last question. One of the things that has concerned us is what Senator Bradley was getting at besides the concerns he obviously has on a specific case. We will have to go into that case in private and we ought to look at it very carefully. Particularly as we get out of the covert action busi-

ness as we have defined it in the paramilitary sense, is there a danger that more and more of the Intelligence Community will use the excuse of saying that something is a liaison relationship related to sources and methods about which they are not obligated to tell this Committee as a way of really keeping outside the oversight process many of their major and most important activities? This is a concern we have, particularly as we go into a new era, that to avoid the oversight process, they might try to start redefining more and more things as liaison relationships that really should fall under an oversight process.

Admiral INMAN. I believe that is a very valid concern. I remain unreconstructed in a view that we have tended over the last 45 years to look to covert operations as a vehicle to easily, too quickly, most often as the policymaker desires, that we are not going to get totally away from it, there will still be some, so I think we should rigidly hold there is a single part of the government that is to have the competency and if the decision is made to do it, it should be done by CIA and no other elements of the government.

Chairman BOREN. And careful documentation as to how that decision was reached.

Admiral INMAN. And very careful documentation. If it is going to be done, it has got to be done competently, and therefore you should make absolutely sure that you have a structure and you put it in the hands of people who will do it competently and the greatest hazard of all I would think is letting people who are amateurs go try to play the game and then you are really going to embarrass the country for no gain.

Chairman BOREN. I appreciate your comments, because I really think that the tragedy is when the oversight process is not used and then this mistrust builds up and there is no consensus between the two branches of government about the action being taken, if it becomes public and surprises the Legislative branch and there is no consensus, then this terrible tragic damage we have seen results.

So let me just say this, as we look to the future we would value your thoughts on how we might structure this. While I am not sure that Senator Bradley and I agree on the legal interpretation of some specific matters, I certainly very much share his concern on the broad question and so do many other members of this Committee in terms of the misuse of the liaison tag or sharing of the intelligence tag to cloak activities that ought to be in the oversight process. We would value your thoughts on that as we go along.

I am sorry, Senator Murkowski had an interjection and then we will go on to Senator Cranston.

Senator MURKOWSKI. Yes, a very brief clarification.

Would it be covert action if we are the identified party providing the intelligence?

Admiral INMAN. No, the fact that we are providing intelligence per se is not a covert action issue. And in response to a question of mine was if we have made the decision to get into an intelligence exchange arrangement for the purpose of getting them to do something they are not now doing that we would like them to do on our behalf, that in my view would clearly require a Finding.

Senator MURKOWSKI. Thank you.

Admiral INMAN. If we think getting into an intelligence exchange is going to make them friendlier to us and let us understand more about what is going on inside, I believe that is an intelligence relationship and does not require a finding.

Senator MURKOWSKI. Thank you.

Chairman BOREN. Senator Cranston.

Admiral INMAN. You've waited patiently.

Chairman BOREN. Then we'll go to Senator Chafee or Senator Rudman, I'm not sure which one of you is next. Senator Chafee and then Senator Rudman.

Senator CRANSTON. It has been a great pleasure as always to have you with us.

Admiral INMAN. Thank you, sir.

Senator CRANSTON. And as always, what you've told us has been fascinating, illuminating and very, very helpful.

Admiral INMAN. Thank you.

Senator CRANSTON. I appreciated your comments on compartmentalization which is very relevant to the nomination that we are considering. I have been interested in your views of Bob Gates, of course, and your analysis of what the new role will be for the CIA in the changing new world that we now face.

I'd like to ask you one question I asked Dr. Gates. How well equipped is the CIA and what is needed to enhance its capacities regarding knowing what is happening in the newly, pretty independent or totally independent republics in what was the Soviet Union? And beneath that, in the semiautonomous republics within them and all the ethnic groups within them?

Admiral INMAN. Senator Cranston, I am worried about it. I hope the situation is better than what I am going to portray to you. What the user community has asked the Intelligence Community to focus on for many years was Soviet military capability—the size of the forces, their deployment, how they exercised, what their doctrines were, the theory, warning time. On economic issues, the focus—the questions which came were on how much money they were spending for defense. How did you convert rubles to dollars and measure somehow the balance of expenditures.

In the years that I watched it was very rare you got a question asking you what was going on in the politics in a region or an area. The focus was on the Kremlin, what's happening at the Kremlin, and efforts to try to find out what might be happening in that inner body.

But my sense is that there has been very little effort, every few questions asked and very little talent assigned toward trying to broadly understand what was going on in all the various republics. What were the changes—and particularly over these last six years, as it has come so fast for the opening up, for the development of independent political activity.

The problem isn't access now in many of those. It's language ability, an understanding of the cultures. And what makes me apprehensive here in making judgments as I look back over the mistakes that I can recall participating in, our—most often the cause of our mistake was mirror imaging, looking at something and saying how would we—

Senator CRANSTON. What did you say?

Admiral INMAN. Mirror imaging.

Senator CRANSTON. Yes.

Admiral INMAN. Looking at it and saying how would we think about that, now how would a Muslim think about it, a Kazakh, a variety of the others. And I am apprehensive that we are as an Intelligence Community and probably even academic community in this country, very shallow in our understanding of the political forces that are now finally freed to be at work in a great many of those republics. That is why I made a reference earlier to—it is probably not a good historical analogy, but referring to this as the Kerensky period. I think the failed coup was like 1917, replacing the czars. 1918 is still in front of us. We don't know what is going to happen out of these next six to nine months, and the politics inside a lot of these republics may be the factor that determines it.

So I think we have unfortunately the prospect of being substantially surprised by events. And it is not something you can go out and easily hire people who have got a language capacity in Uzbek or many of the other languages and dialects that are there. This—we ought to watch it very carefully even as we go through the surprises, and to some degree let this drive us as we think about, what do we need to know around the world, where are the other countries that have strange languages and customs, but where U.S. interests could ultimately be at stake. Admittedly, there are not many that have the same price tag that this one does where there are nuclear weapons and we don't know who is going to control them ultimately and where they are going to be. Are they going to hold together in a union that says you have got a reliable command and control. My worry here isn't that somebody is going to use a weapon against us, it is that they are going to sell them, and sell them to countries that are interested in proliferating weapons.

Senator CRANSTON. Thank you very much for a very comprehensive and interesting answer.

Admiral INMAN. Thank you, sir.

Senator CRANSTON. I would now like to get to one of the key matters that has come up in regard to Bob Gates. I was impressed by his admission in his opening remarks and later that he made mistakes, as we all do, and that in retrospect he would have done things differently with respect to allegations concerning the diversion of U.S. funds to the Contras. It is difficult for us to evaluate how serious that particular error in judgment was.

In your experience, I understand that you dealt with problems similar to those Bob Gates faced, and that in one instance in your capacity as Director of Naval Intelligence you received intelligence concerning an individual close to the President of the country who might have been involved in something illegal. It is also my understanding that you did not go to the White House with the information, but that you personally took it to the U.S. Attorney General so that the Attorney General could personally go to the President if he thought that was appropriate.

Is that an accurate account of how you handled that event?

Admiral INMAN. I was Director of the National Security Agency at the time rather than Director of Naval Intelligence. The rest of the things are accurate.

Senator Cranston, the guidelines for those were really pretty clear. That if in the process of the intelligence you gathered, you obtained information that you believed involved a violation of the law, you should report it to the Attorney General. I, in the instance it was made something more painful because of the potential relationship of the individual who was suspected of being in violation of the law. But to me it was very clear.

My limited understanding of the Iran-Contra affair was at the early stages there wasn't a comparable clarity to that which I was handed, about who was the individual and what is the law violation that you are concerned about. In my case, it was being under the influence of a foreign power. So I don't know whether they are identical in the Iran-Contra case, and again I have not been exposed to the precise details in the Iran-Contra case to know whether the information was there that clearly indicated a violation of a law by whom and what law. If there was, in my judgment, that is when you go to the Attorney General.

Senator CRANSTON. Did you consult your Agency counsel and did he recommend you go to the Attorney General?

Admiral INMAN. I did indeed consult my Agency General Counsel. I had a very able one who has gone on to private practice. He listened to what I intended to do and said that sounds right to me. He could have dissuaded me, but he clearly didn't have that inclination. He reached the same judgment. I had actually already decided what I wanted to do. But in my case, in fairness, Senator Cranston, it was very clear in what you had that there was a clear, specific potential violation of the law and by a U.S. citizen. And we knew what citizen.

Senator CRANSTON. Bob Gates followed a different course when he received information from Charlie Allen concerning the suspected diversion of funds from the Iran-Contra arms sale. Critics have suggested he should have done things differently or should have done more or should have given greater weight to the information that he received from Charlie Allen. What he did was go with Allen to Casey to discuss the matter with him. He consulted the General Counsel in the CIA. Then presumably on the General Counsel's advice, although I don't know that, he and Casey went to the White House and he shared what he had learned from Allen with Admiral Poindexter, who we now know was himself involved in the diversion and approved of it. Dr. Gates had no way of knowing of Poindexter's involvement at that time, but he certainly did know of White House involvement in the private sector efforts to support the Contras, and that the White House was managing the Iran operation.

Nothing of course came of the visit to Poindexter. In the light of your own somewhat similar experience, how do you evaluate Bob Gates' performance in that matter?

Admiral INMAN. In my understanding of events, Senator Cranston, and I may be inaccurate, my understanding of events was that there was a suspicion there might be a violation of the law—it was not clear—in the activity. As I have asked questions about it, my understanding is that one did not get a clear judgment from the general counsel that there was a violation of the law involved. I was fortunate, but I got a quick, clear concurrence from my gen-



eral counsel which made my own pattern easier. So that's one place that it diverges.

As I testified earlier in the hearings, if I had been unsure about what—I wanted to know if there was some illegal activity, the person that I would have gone to was Admiral Poindexter. The straight arrow who was the Director of National Security Affairs. The tougher part is the earlier part of it, the discussion with Mr. Casey, and then the going to see Poindexter.

When I went over these matters with Bob Gates in '87 trying to understand them, I asked him point blank have you considered—because he was still at that point resistant—have you considered the prospect that for whatever reason Mr. Casey did not tell you the truth. He found it extraordinarily difficult to accept that as a possibility. There was a level of trust and confidence from working together day and day, but while he excluded him from things, if you asked him questions, he wouldn't tell him something that wasn't true. Mr. Casey had his own reasons for his actions. I think Dr. Gates is much wiser four years later in looking over the events and in questioning than he was at the time.

Senator CRANSTON. Thank you very much. I have one last question. U.S. intelligence in the 1980s incidentally acquired information that we now know from the press and the testimony here.

Admiral INMAN. Yes.

Senator CRANSTON. On contacts between Members of Congress or their staffs and Nicaraguan government representatives. We've heard further that the sensitive intelligence was provided to Bill Casey and to others, possibly including Bob Gates, although that is not known. Former Maryland Congressman, Mike Barnes, says that Bill Casey used this intelligence to try to force him to back down in his opposition to U.S. aid to the Contras. What I wanted to ask you was this. If that sort of intelligence had come across your desk when you were Deputy Director, what would you have done?

Admiral INMAN. I had a couple of instances, Senator Cranston, where information came in which Members of Congress were involved. I went to the leadership. There were questions of propriety.

Senator CRANSTON. Leadership of the Agency?

Admiral INMAN. I'm sorry. I went to the leadership of the Congress. I had instances where I went to the Speaker. I had instances where I went to the Majority and Minority Leader. It was what I chose to do. Incidentally, I did that as the Director of the National Security Agency without seeking guidance from the DCI or others.

Senator CRANSTON. That would appear to be the appropriate way to proceed.

Thank you very, very much.

Admiral INMAN. Yes, sir.

Chairman BOREN. Thank you, Senator Cranston. Senator Chafee.

Senator CHAFEE. Thank you very much, Mr. Chairman, and first of all, I want to say how nice it is to have Admiral Inman back once again before us. A couple of points have been discussed here today. One, you indicated that you went to the Attorney General when you had a question of propriety. At that time you were head of the NSA.

Admiral INMAN. That's right, I was.

Senator CHAFEE. In other words, you weren't a subordinate down the line?

Admiral INMAN. No, I was—in response to your question, I believe the proper role, if the Deputy Director of NSA had discovered that matter would have been to have brought it to me. And it was my responsibility then to act. Now if I simply wanted to suppress it, then the Deputy Director would have a big problem. If I indicated I was going to investigate it or go ask questions, I suspect the Deputy Director of NSA—I had three great ones as Deputy—I suspect they probably would have accepted them. But that's the result of my credibility with them that I was going to act.

Senator CHAFEE. So, what you're talking about is exactly the situation that Mr. Gates was in. He wasn't the head of—the Director of Central Intelligence.

Admiral INMAN. He was the Deputy.

Senator CHAFEE. He was the Deputy. He went to a superior. He told him—and by the way, these were rumors or suggestions. Mr. Allen himself never said, "These are the facts." And so he went to his superior. He told him. The superior then said write it up to Allen. Allen wrote it up. They took that to Poindexter and they took it to the General Counsel.

Furthermore, the next point I'd like to make is you have given very important testimony here, Admiral, in pointing out the differences between the terms Iran-Contra and diversion. That's a term that is slurred around here. Did you know about the Iran-Contra diversion? How the facts are, as you so carefully pointed out, these break into two separate categories—several separate categories. First is the Iran sales which were approved by a Finding—were not against the law. And did Mr. Gates know about that? Yes, he did. And he's admitted that. We then get to the other side of the ledger which are the diversion of the funds to the Contras and that's an entirely separate kettle of fish, as you have pointed out. So I think it's very important that everybody bear that in mind.

Admiral INMAN. Senator Chafee, if you'll permit me simply to underline again and tie the compartmentation issue, what's troubled me in—particularly in dealing with the media with it is the presumption that if you're up on one of those compartments—you automatically have access to all and if you know any part, you must know all of it. And that's just simply not the way things take place day by day.

Senator CHAFEE. And you have testified that the Deputy Director of Central Intelligence himself was not in some compartments.

Admiral INMAN. That is correct.

Senator CHAFEE. And somehow the suggestion seems to be being bruited about before this Committee that if you're Deputy Director you know everything or that the Director tells you everything, and that is not the case.

Admiral INMAN. We're seeing here the power, Senator Chafee, of an image. One chart printed, circulated nationwide—an organization chart that showed a DCI, a Deputy DCI, and then everybody else, which isn't, in fact, the way the organization functioned at all. But that's been captured from that point on in most if the commentary, the rest of it for the man in the loop. So we begin with an



inaccurate portrayal of an organizational structure that's now almost become theological as the way things operate.

Senator CHAFEE. Yesterday Senator Rudman asked Alan Fiers whether he thought—Mr. Fiers thought that Bob Gates was tough enough for the job. And you've touched on that in your testimony here this morning. And whoever is going to be Director of Central Intelligence is going to have to make some very difficult decisions as you've pointed out. There's going to be a scaling back of this organization inevitably. And your answer has been that for the first six or nine months, he's going to have some rocky going over there, if confirmed. But it's your judgment that he indeed does have the toughness to carry through this job?

Admiral INMAN. Senator Chafee, I don't have any doubt at all about his toughness. He clearly has the toughness for the job. I believe he now has the broad management skills for the job. The only place I think that's open for question at all is looking at the world out ahead, does he have skills, does he have the depth of knowledge for what's going to be his primary responsibilities. Can't cover it all. No one does. But, for what you're looking at him to do primarily, does he have that ability to direct it or would he have to depend on a lot of others? I believe he will need to depend on a very strong team at the top of the DDO to daily supervise clandestine operations, clandestine collection. I think they're up to it. I don't think he has to be the world's great expert for that. As I look at the challenges where he has his greatest expertise is where I think the greatest management challenges are going to be. That's re-orienting where the whole Community goes, retraining the talent, and painfully getting rid of some of the people who simply aren't up to it and getting new talent on board.

Senator CHAFEE. In your experience, do you think there can be these significant cuts that are coming down the pike in the Intelligence Community without great damage to our intelligence collection capabilities and analytical abilities?

Admiral INMAN. I have great worries about that, particularly depending on the pace. Large, expensive satellite systems, which have been at the heart of our ability to warn, whether it's warning of potential Soviet attacks or warning of Iraqis launching Scuds, you don't redesign or change that quickly. It's going to take years to evolve to what may better meet our needs worldwide as opposed to that which was focused, maximum capabilities on the Soviet Union. The human side is going to take time because, again, we're dealing here in many cases with language skills where if you can hire the talented people, you're still going to have to spend time training them. And that's going to cost money.

So, we have to reorient the system. And I believe in that process, looking at how much of the effort has been focused on Soviet military in the past, if these next nine months in the Soviet Union go in our favor, that we don't end up with an authoritarian dictatorship at the end of the time, then I think a lot can be done there. My plea is to set out to do it intelligently which means over a number of years as opposed to sharp, dramatic cuts in a year or two, which can only be accommodated by just simply eliminating people and stop operating systems before we really have completed the transition.

Senator CHAFEE. I must say, Admiral, that as we look at what's taking place in the world, I don't quite share the euphoria that we are moving into a more peaceful, tranquil, stable era. I see—

Admiral INMAN. I share that worry.

Senator CHAFEE. I see what's happening in Yugoslavia and the potential for tremendous problems with the break up of the U.S.S.R.

Admiral INMAN. With great luck and two big events in the next year, transition to a new structure that holds together the bulk of the Soviet Republics in a democratic framework and a Middle East peace settlement, if both of those were to come through, it is a substantially more stable world in which we've got more time to re-frame the security relationships.

If either one or both of those go sour on us, then it is a worse world than the one we've been in.

Senator CHAFEE. Mr. Chairman, let me just say this in conclusion. This winds up my questions for the witness. I must say that I think that with the exception of the support of the President of the United States which the nominee has, he couldn't have two more influential backers as far as this Committee goes than John McMahon and Bobby Inman.

And you've given very strong testimony on behalf of the candidate today. We appreciate your taking the trouble to come.

Admiral INMAN. Thank you, Senator Chafee.

Senator CHAFEE. Thank you, Mr. Chairman.

Chairman BOREN. Thank you very much, Senator Chafee.

I just want to interject one question about your comments on the skills that are going to be required.

Admiral INMAN. Yes, sir.

Chairman BOREN. The language skills, the analytical skills, the cultural knowledge in the changing world. As you probably know, one of the initiatives of this Committee which will come to the floor for a vote fairly soon is our approach to what we call the National Security Education Act. This is to try to encourage more students, undergraduates to study in other countries to whet their appetite for international studies, to beef up foreign language, area studies like Middle Eastern studies, Latin American studies, cultural studies, international studies at our colleges and universities through curricular grants and graduate fellowships to people in these fields that might come back into the government service, whether it is the CIA, the Defense Department, the State Department, or wherever.

In your opinion, is this a legitimate national security expenditure given the changes that we are facing in the world?

Admiral INMAN. Mr. Chairman, I am unambiguous in my support for the legislation. I believe it is a national security issue. And I believe it is a step in the right direction.

And I did not have to submit my comments fortunately to the Office of Management and Budget for their concurrence.

Chairman BOREN. I appreciate your comments. And I will submit them to the Office of Management and Budget with whom I am now negotiating to convince them that this is a legitimate national security expenditure.

Admiral INMAN. It is a novel approach. There may be some other approaches that could be tried. But the necessity to get on with it and to do investment in this area, I don't think there is any doubt at all.

Chairman BOREN. I appreciate your comments.

Senator MURKOWSKI. If I may just very briefly Mr. Chairman, I have had some conversations about this and I'd be interested in your opinion on whether you think that kind of a program should be tied back to some type of government service.

Admiral INMAN. Yes. I'm comfortable with requiring some government service. Because I've gone through that process. I had an obligation that for the education I got, even though I went to the National War College, I had to do two years of service after that.

Senator MURKOWSKI. So you say you feel comfortable with it. But what's your—you think it should be tied or untied?

Admiral INMAN. I'm comfortable in moving to tying some obligation to the process. I would like to move back toward creating among all the citizens some sense of some obligation to do service for their country at some point in time. I'd like to leave a lot of flexibility about what that service might be. But reindulcating a basic view that we believe it is the duty of all citizens to do some public service along the way, even if they haven't been the beneficiary of a grant is in our long-term interests of the society.

Chairman BOREN. Some kind of universal service concept.

We have not, that early in their career, forced the college undergraduates into a decision that they work for a government agency. But we have tied that requirement to graduate fellowships under our plan. The undergraduate is sort of the catchment net to get people interested in international affairs.

Admiral INMAN. And so they will go on to graduate school.

Chairman BOREN. So they will go on to graduate school. Then when we get them in the graduate programs, we do tie a requirement that they respond to offers of government service.

Admiral INMAN. I think that's a good balance.

Chairman BOREN. Senator Rudman will be our concluding questioner.

Let me ask, Senator Cranston, do you have any additional questions?

Senator CRANSTON. Not at the moment.

Chairman BOREN. I have to depart for another meeting and Senator Murkowski will conclude the hearings and Senator Chafee will be our concluding questioner. And let me again express my personal appreciation to you, Admiral Inman, for being here. And not only for being a witness for us today, but for constantly serving with us on advisory committees of different kinds to this Committee and sharing your insight with us. And as you can see from the questions we have directed to you on some of these difficult areas, the liaison relationships, educational program, and a lot of others, this Committee will be continuing to ask for your advice and counsel and we do view you as an important resource for this country, your experience and your perspective. And we appreciate very much your taking the time to be with us today.

Admiral INMAN. Thank you, Senator Boren.

Chairman BOREN. Senator Rudman?

Senator RUDMAN. Mr. Chairman. I don't have a lot to ask this witness. I understand that most of the questions had been asked.

I guess the only one that I would review is, it is my understanding that in a previous answer you stated to the Committee that you thought the whole area of analysis would become even more important in the future—due to the changed world circumstances—and that the clandestine side of the Agency could be less important than it has been since 1948 to 1988—a tumultuous time in the world. Am I characterizing your answer correctly?

Admiral INMAN. You are correctly doing so, Senator Rudman. I believe with just a little luck in how things go, covert operations will be a very small part of the overall need for a Central Intelligence Agency.

Clandestine human intelligence will be very important, and it may need to grow a bit from where it is now. But there is a larger issue of redeploying that talent against different targets.

The big issues for me are accessing the large amount of openly available information that humans must acquire. And a lot of that, State Department, others, the competency to do it. And reorienting analysts. People who have been looking at understanding the potential capabilities of a weapons system are not ready to turn the next day and start doing a detailed understanding of the political instability of a republic.

The country's needs are changing every day. And that, I believe, is where the biggest job in front of the Intelligence Community's leadership is going to be, first in reorienting the whole analytical base and retraining and getting the talent onto newer problems, reorienting the collection. But particularly dealing with this overt human collection potential where they don't control all of the resources.

Over the longer term, we've got to rethink the major investments in the technical areas. We may be able to do fewer things. On the other hand, we are going to need more flexibility geographically about where those observations are possible and the time dimensions are still going to be important.

I think one of the lessons of Iraq-Kuwait, we had intended to think about warning as a problem for the Intelligence Community in time of looking at mobilization of Soviet forces to be used outside their borders. And suddenly we learned in a whole different part of the world, warning was a launching of a SCUD missile that might be going to Israel or Saudi Arabia. And in given the proliferation of weapons systems, that is a real problem that could be with us in a number of parts of the world out ahead.

Senator RUDMAN. I thank you for your answer. I take it that you also, in the course of your testimony this morning, proceeded from that premise which you have just discussed and discussed Bob Gates' qualifications for the position. I am told that you testified this morning that because of his analytical skills, his strengths, his abilities as an organizer—and you've recounted that earlier when I was here—that you give him your unqualified support for this position.

Admiral INMAN. Senator Rudman, I got pretty far out front in the support of Bob Gates' nomination publicly. That is not a role I have played in the past, nor is it one that I sought.

But I got there by first looking at the challenges and becoming personally persuaded and committed that at this point in time and history, Doctor Robert Gates is without any reservation, or even close to him, the best prospect to be Director of Central Intelligence to address these issues.

And it was that conviction that then caused me to get out as public as I did when I thought it was beginning to drift in a different direction.

Senator RUDMAN. Well, I appreciate your candor and your willingness to take a strong public position. A lot of people are not willing to do that once they return to private life. A lot aren't willing who are still in public life. But at any rate, it's always a pleasure to hear your testimony. And I do recall many of the very interesting things we were able to do together when you were in government service. It has been a special pleasure for the Committee to have you here this morning, and I thank you, Admiral.

Admiral INMAN. Thank you, Senator Rudman.

Senator MURKOWSKI. Thank you very much, Senator Rudman. Senator?

Senator CRANSTON. I've got no more questions.

Senator MURKOWSKI. Do you have any other questions?

Senator CHAFEE. Mr. Chairman, I would just like to reiterate what Senator Rudman said about individuals who are willing to come forward and take a position. And this applies to Mr. Polgar, too, who took a position. He may disagree but he came here from his home and he did it publicly.

Admiral INMAN. And he took it publicly. It wasn't an unknown source.

Senator CHAFEE. He stuck his neck out. And how are we going to make decisions around this place unless we have people come forward on both sides who had some experience and have some views.

Senator RUDMAN. I would second that because I notice Mr. Polgar, who I know has a long relationship with Admiral Inman, is here in the room listening, and I admire people who take public stands and get into the fray. I think we're delighted that both of them came and testified.

Senator CHAFEE. Again, thank you very much.

Senator MURKOWSKI. Somebody said that if you can't stand the heat, stay out of the kitchen. And I don't think that's been represented by any means by the last two witnesses who have both made a substantial commitment of involvement and recommendations to this Committee.

Admiral Inman, I want to thank you particularly on behalf of the Chairman. I am advised that this Committee will resume at 9:30 on Tuesday, with the witnesses, Mr. Allen and Mr. Kerr. And hopefully we will conclude the day by getting through the Senators who have questions for the witnesses in the presentation.

Again, Admiral, thank you very much for being with us and being so candid today. And we wish you a good weekend and looking forward to the next time that we see you.

Admiral INMAN. Thank you, Senator Murkowski.

Senator MURKOWSKI. The hearing is dismissed.

[Thereupon at 12:08 p.m., the Committee was recessed.]